

**Southwest Power Pool
CORPORATE GOVERNANCE COMMITTEE MEETING**

February 28, 2007

Will Rogers Airport, Oklahoma City, OK

• M I N U T E S •

Agenda Item 1 – Administrative Items

Chair Nick Brown called the meeting to order at 10:00 a.m. Other members in attendance or represented by proxy were: Jim Eckelberger (Director), Harry Dawson (OMPA), Kevin Easley (GRDA), Rob Janssen (Redbud), Steve Parr (KEPCo), Mel Perkins (OG+E), and Stacy Duckett (SPP Staff Secretary).

Mr. Brown referred to draft minutes for the September 22, 2006 and January 12, 2007 meetings and asked for corrections or a motion for approval (CGC Minutes 9/22/06 and 1/12/07– Attachment 1). Steve Parr moved to approve the minutes as presented. Kevin Easley seconded the motion, which passed unanimously.

Agenda Item 2 – Board of Directors Evaluation

Nick Brown reviewed the Board of Directors Evaluation results (BOD Evaluation Results – Attachment 2). Discussion followed. Stacy Duckett is to check for some additional detail on the breakdown of the responses. For future surveys it was decided to: add a comment field to each question; ask Members to select a sector in the demographic question; and review wording of question 13. The group also wants to consider options in addition to email for reminding non-responders.

Agenda Item 3 – Organizational Effectiveness

Nick Brown reviewed the Corporate Governance Survey results (CGC Survey Results – Attachment 3). Discussion followed.

Mr. Brown reviewed the Chair/Secretary Workshop results (Workshop Results – Attachment 4). The group discussed the various issues assigned to this committee and provided guidance to staff to draft Bylaws language for review.

The group concurred that the Annual Organizational Group Assessment process responsibility should be transferred to the Corporate Governance Committee from the Strategic Planning Committee.

Agenda Item 4 – Bylaws Review

Stacy Duckett presented a draft of possible Bylaws revisions for consideration (Bylaws – Attachment 5). Discussion followed. Ms. Duckett will provide a revised draft of the Bylaws for review including the issues discussed for Agenda Item 3.

Agenda Item 5 – Expiring Terms

Nick Brown reviewed those directors and Members Committee representatives whose terms expire at the end of 2007 (Expiring Terms – Attachment 6). Following discussion, Steve Parr moved to nominate Phyllis Bernard and Quentin Jackson for re-election to the SPP Board of Directors. Harry Dawson seconded the motion, which passed unanimously. The SPP staff will contact the Members Committee representatives and assess interest in being reappointed, as well as notify the Membership of those seats up for election. The committee will develop the slate of nominees at a future meeting.

Agenda Item 6 – Regional Entity Trustees Search

Nick Brown stated that the Regional Entity (RE) report is pending a FERC order recognizing SPP as a Regional Entity. Mr. Brown asked the group to begin considering those who might serve. The group discussed qualifications as contained in the draft RE Bylaws (RE Bylaws – Attachment 7). Any suggestions should be provided to Nick Brown or Stacy Duckett.

Agenda Item 7 – Age/Term Limits for Directors

This agenda item was tabled for a future meeting.

Other Items

Jim Eckelberger suggested that the Regional State Committee organizational groups participate in the Organizational Effectiveness process. The SPP staff will follow up.

Mr. Eckelberger suggested that the controls implementation and oversight be moved from the Finance Committee to either the Compliance Committee or the Corporate Governance Committee to reflect the broadness of its application. The group will discuss this further at the next meeting.

Future meetings

Nick Brown suggested setting a regular annual meeting schedule. The staff will provide a recommendation at the next meeting, including topics to be included. The next meeting date will be set at the April Board of Directors meeting.

Adjournment

Nick Brown thanked everyone for participating and adjourned the meeting at 2:02 p.m.

Respectfully Submitted,

Stacy Duckett, Secretary



Southwest Power Pool, Inc.
CORPORATE GOVERNANCE COMMITTEE MEETING
February 28, 2007
Will Rogers Airport, Oklahoma City, OK

• A G E N D A •

10:00 a.m. CST

1. Call to Order and Administrative Items Nick Brown
2. Board of Directors Evaluation Nick Brown
3. Organizational Effectiveness Stacy Duckett
 - a. Corporate Governance Committee Survey Results
 - b. Workshop Results/SPC Action
 - c. Reassignment of Responsibility
4. Bylaws Review..... Stacy Duckett
5. Expiring Terms..... Stacy Duckett
 - a. Board of Directors
 - b. Members Committee
6. Regional Entity Trustees Search..... Stacy Duckett
7. Age/Term Limits for Directors Nick Brown

Relationship-Based • Member-Driven • Independence Through Diversity
Evolutionary vs. Revolutionary • Reliability & Economics Inseparable

Southwest Power Pool
CORPORATE GOVERNANCE COMMITTEE MEETING

September 22, 2006

Teleconference

• M I N U T E S •

Agenda Item 1 – Administrative Items

Chair Nick Brown called the meeting to order at 8:09 a.m. Other members in attendance or represented by proxy were: Jim Eckelberger (Director), Harry Dawson (OMPA), Kevin Easley (GRDA), Steve Parr (KEPCo), Mel Perkins (OG+E), and Stacy Duckett (SPP Staff Secretary).

Mr. Brown referred to draft minutes for the March 7 and July 17, 2006 meetings and asked for corrections or a motion for approval (CGC Minutes 3/7/06 and 7/17/06 – Attachment 1). The minutes of March 7, Agenda Item 4, last sentence were modified to read: *The group decided to table the remaining vacancies until nominees are provided by Westar for consideration by the committee.* Mr. Eckelberger moved that the March 17 minutes be approved as corrected and the July 17 minutes be approved as presented. Mr. Dawson seconded the motion, which passed unanimously.

Agenda Item 2 – Annual Self-assessment

Stacy Duckett reviewed the self-assessment form and the overall assessment process (CGC Self-Assessment – Attachment 2). With no comments from the group, the form will be submitted as drafted.

Agenda Item 3 – Vacancies

Nick Brown reviewed current vacancies. The group discussed the Strategic Planning Committee vacancy as a result of Jim Stanton's resignation. Rob Janssen (Redbud) has been recommended to fill this position; no other nominations were submitted. Kevin Easley moved to nominate Rob Janssen. Steve Parr seconded the motion, which passed unanimously. Jim Stanton also resigned from the Corporate Governance Committee. This position will be filled by the members of the IPP/Marketer sector, per the SPP Bylaws. Ms. Duckett is facilitating that process. Two vacancies are expected on the Members Committee in the near term, but no resignations are in hand. No action is required at this time.

Agenda Item 4 – Expiring Terms

Nick Brown reviewed expiring terms (Expiring Terms – Attachment 3). The incumbents have stated a desire to remain on the committee. The group discussed other nominees and potential candidates. Motions for nominees to fill expiring terms were:

Steve Parr moved to nominate Richard Spring for the Investor Owned Utilities seat. Mel Perkins seconded the motion, which passed unanimously.

Steve Parr moved to nominate Gary Roulet and Rick Tyler for the two cooperative seats. Harry Dawson seconded the motion, which passed unanimously.

Mel Perkins moved to nominate Trudy Harper for the IPP/Marketer seat. Kevin Easley seconded the motion, which passed unanimously.

Mel Perkins moved to nominate Kevin Easley for the State/Federal Agency seat. Steve Parr seconded the motion, which passed with Mr. Easley in abstention.

The committee discussed the nominating process in general and focused on getting additional member entities engaged in the committee structure.

Agenda Item 5 – Board of Directors Evaluation

Nick Brown reviewed the Board of Directors evaluation process and the questions included in the previous evaluation (BOD Evaluation Form – Attachment 4). The evaluation will be distributed following the October 24 Board of Directors meeting and using the 2005 questions. The results will be compiled and ready for review at the December 12 Board meeting.

Adjournment

Nick Brown thanked everyone for participating and adjourned the meeting at 8:45 a.m.

Respectfully Submitted,

Stacy Duckett, Secretary

Southwest Power Pool
CORPORATE GOVERNANCE COMMITTEE MEETING

January 12, 2007

Teleconference

• M I N U T E S •

Agenda Item 1 – Administrative Items

Chair Nick Brown called the meeting to order at 11:02 a.m. Other members in attendance or represented by proxy were: Steve Parr (KEPCo), Mel Perkins (OG+E), Rob Janssen (Redbud), and Stacy Duckett (SPP Staff Secretary).

Agenda Item 2 – Vacancies

Nick Brown reviewed current vacancies on the SPP Members Committee; one for the Transmission Owner/Investor Owned Utilities (TO/IOU) sector and one for the Transmission User/IPP Marketer (TU/IPP Marketer) sector. Mel Perkins motioned to nominate Stuart Solomon (AEP) to fill the TO/IOU sector. Steve Parr seconded the nomination. Following discussion, the motion passed unanimously. Mel Perkins motioned to nominate Rob Janssen (Redbud) to fill the TU/IPP Marketer sector, also seconded by Steve Parr. Following discussion, the motion passed unanimously. Stacy Duckett was asked to notify the candidates.

Agenda Item 3 – Future Meetings

The committee needs to discuss several issues related to the organizational effectiveness survey and chairs/secretaries workshop, upcoming vacancies, and possible Bylaws revisions. These items would best be discussed in a face to face meeting. The group decided to meet in Dallas on Thursday, February 8, at 10:00 a.m. The agenda and background material will be distributed at a later date.

Adjournment

Nick Brown thanked everyone for participating and adjourned the meeting at 11:22 a.m.

Respectfully Submitted,

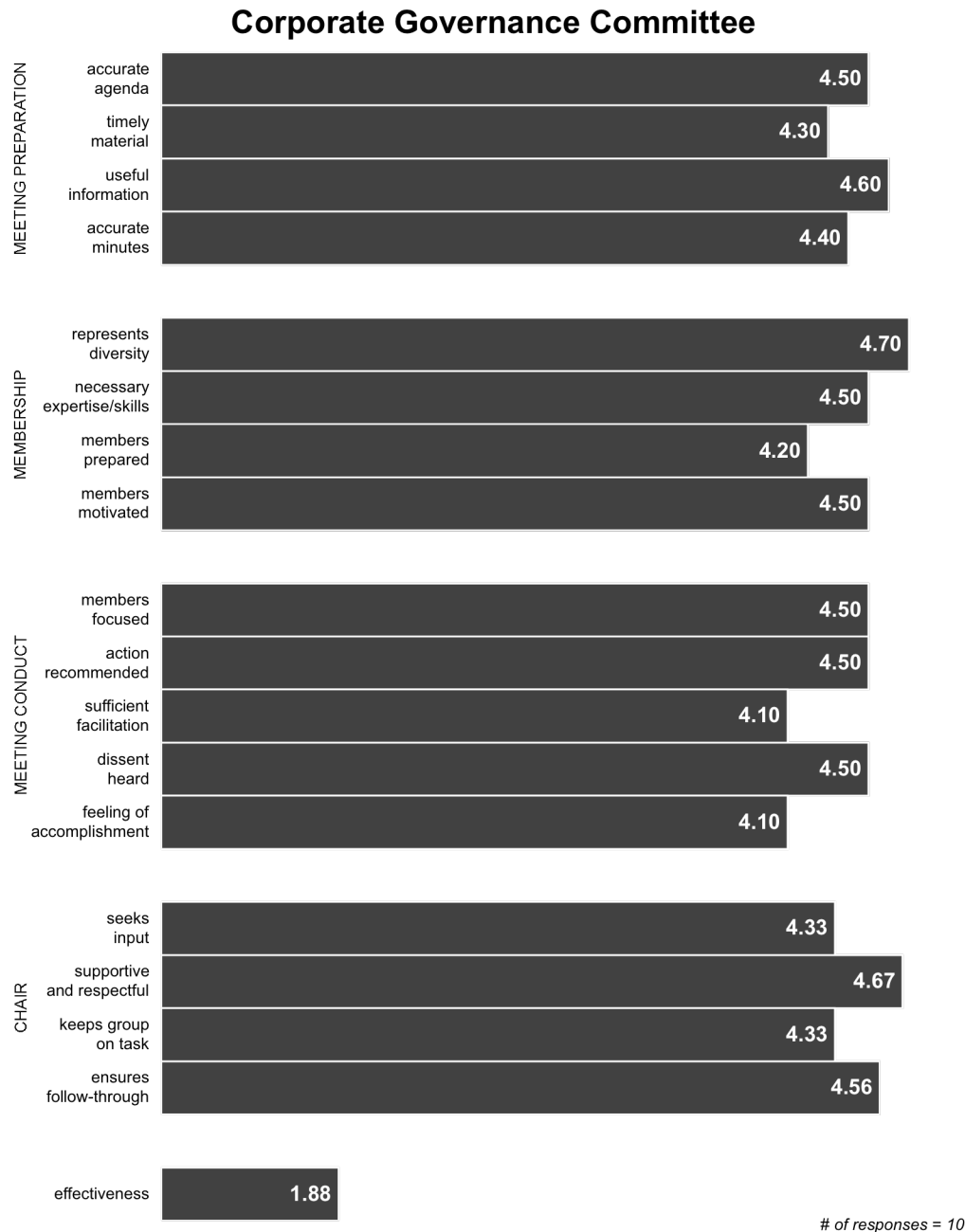
Stacy Duckett, Secretary

Southwest Power Pool, Inc.
BOARD OF DIRECTORS EVALUATION RESULTS
2006

	Considerations	5 Strongly Agree	4	3	2	1 Strongly Disagree	2006 Results	2006 Avg	2005 Avg	2004 Avg
1	Board has full and common understanding of the roles and responsibilities of a Board	2 – D 2 - M	4 – D 3 – M	3 – M	1 – M		4.33 D 3.67 M	3.93	N/A	4.22
2	Board members understand the organization's mission and its services	2 – D 1 - M	4 – D	5 - M	3 - M		4.33 D 2.89 M	3.47	3.64	3.50
3	Organization structure is clear (Board, officers, committees, executive and staff)	2 - M	4 - D 4 - M	2 - D 1 - M	2 - M		3.67 D 3.67 M	3.67	4.00	4.28
4	Board has clear goals and actions resulting from relevant and realistic strategic planning	1 - D	2 - D 3 - M	3 - D 4 - M	2 - M		3.67 D 3.11 M	3.33	3.29	3.39
5	Board attends to policy-related decisions which effectively guide operational activities of staff	2 – D 1 - M	3 - D 1 - M	1 - D 4 - M	3 - M		4.17 D 3.00 M	3.47	3.64	3.67
6	Board receives regular reports on finances/budgets, performance and other important matters	3 - D	3 - D 8 - M	1 - M			4.50 D 3.89 M	4.13	3.86	4.22
7	Board effectively represents the organization to the stakeholder community	1 – D 1 - M	4 - D 3 - M	1 - D 2 - M	2 - M	1 - M	4.00 D 3.11 M	3.47	3.57	3.28
8	Board meetings facilitate focus and progress on important organizational matters	1 – D 1 - M	4 - D 3 - M	1 - D 4 - M	1 - M		4.00 D 3.44 M	3.67	3.57	3.72
9	Board regularly monitors and evaluates progress toward strategic goals and objectives	1 - M	3 - D 2 - M	2 - D 4 - M	1 - M	1 - M	3.60 D 3.11 M	3.29	3.43	3.22
10	Board regularly evaluates and provides development plans for the Chief Executive	3 – D	3 - D 3 - M	3 - M	2 - M		4.50 D 3.13 M	3.71	4.00	3.50
11	Each member of the Board is involved and interested in the Board's work	5 - D 2 - M	1 - D 5 - M	1 - M	1 - M		4.83 D 3.89 M	4.27	4.29	4.22
12	All necessary skills, stakeholders and diversity are represented on the Board						N/A	N/A	N/A	3.44
13	Board considers the diverse positions of the membership in a non-discriminatory manner	6 – D 1 - M	5 - M		3 - M		5.00 D 3.44 M	4.07	3.64	N/A

Notes: 1) Question 1 was mistakenly omitted from the 2005 evaluation.
2) Questions 9 and 10 each had one less response than the other questions.
3) Question 12 was replaced with Question 13 in 2005.

- Chart 2: Corporate Governance Committee Results



Items this group rated with a lower score outside of the standard deviation for the aggregate ratings include items from the membership group and items from the meeting conduct group, including “Organizational members come prepared to the meetings,” “Facilitation is sufficient to guide discussion” and “I depart with the feeling that we have accomplished something” (though

these items are still on the “agree” side of the ratings continuum). Meaningful high rankings include items from three groups, and they are “The information provided prior to the meeting is utilized during the meeting,” “The group’s membership represents diversity” and “The chair is supportive and respectful of the individual needs and differences of group members.”

The Corporate Governance Committee is most satisfied with Membership attributes (4.48) and least satisfied with Meeting Conduct attributes (4.34).

Following are the responses to the prompt for suggestions for improvement:

- Communication between the groups could be better. The groups can get lost in the details and lose sight of the overall goals of the organization. These goals need to be kept in mind at all times.
- Might benefit from meeting more often/regular schedule. Structured “calendar” of annual agenda items.
- A yearly scheduling of meeting dates.
- 1. Members of committees reporting to the Board need to find a new balance between longevity for perspective and rotation for balanced interests. 2. The procedural compliance processes including the Sarbanes-Oxley audit process are wider than the finance committee purview. Michael should replace Tom as the staff liaison and results should be monitored by a committee that focuses on the entire enterprise. 3. The Corporate Governance committee needs to spend some proactive, face-to-face, maybe strategic time after the December Board meeting reviewing ideas to strengthen our governance model.

SPP Governance Issues per Chairs'/Secretaries' Workshop

Issue	Current Bylaws Provisions	Suggestion(s)	Notes
Proxies	If a Member's designated representative is unable to attend an Organizational Group meeting, it may in writing appoint a substitute representative who shall have such rights to participate and vote as the Member specifies.	<ul style="list-style-type: none"> • Proxy may only be granted to another representative of the Member entity • Proxy may be granted to another voting representative of the group • A representative may hold only one proxy in addition to his/her own vote • Representative may not grant proxy for more than three consecutive meetings without consent of the chair 	
Voting requirements and tally process	Each participant in an Organizational Group shall have one vote. Upon joining, Members shall be assigned to one of two Membership sectors for the sole purpose of voting: Transmission Owning Members, or Transmission Using Members. Markets and Operations Policy Committee and Membership actions are taken in the following process. Each sector votes separately with the result for that sector being a percent of approving votes to the total number of Members voting. Then the action is approved if the average of these two percentages is at least sixty-six percent. If no Members are present within a sector, the single present sector-voting ratio will determine approval. A simple majority of participants present or represented by proxy and voting shall be required for all other Organizational Group and task force action.	<ul style="list-style-type: none"> • Alternative sector voting formula • Specifically address voting by email • Limit voting on issues to affected parties 	
Quorum	The quorum for a meeting of the Markets and Operations Policy Committee or the Membership shall be those Members present. The quorum for any other Organizational Group or task force shall be one-half of the membership thereof, but not less than three members; provided, that a lesser number may adjourn the meeting to a later time.	<ul style="list-style-type: none"> • Proxy does not constitute attendance for purposes of establishing and/or maintaining a quorum 	

Issue	Current Bylaws Provisions	Suggestion(s)	Notes
Definitions: Committee, WG, TF	Member input on decision-making shall be accomplished primarily through Membership participation in Organizational Groups. Members are expected to provide representation to Organizational Groups as requested. Working group representation will be appointed by the Board of Directors, who shall consider the various types and expertise of Members and their geographic locations, to achieve a widespread and effective representation of the Membership. The Chair of any Organizational Group may appoint any ad hoc task forces as necessary to fulfill its mission. Task force appointments shall be made with due consideration of the various types and expertise of Members and their geographic locations. Participation in certain sessions of Organizational Group meetings where market sensitive issues are discussed may be restricted to persons representing entities that have executed NERC's Confidentiality Agreement. Representatives on all Organizational Groups will be documented in the SPP directory maintained by the Staff. Organizational Group vacancies will be filled on an interim basis by appointment of the President unless otherwise provided for in these Bylaws.	<ul style="list-style-type: none"> • Committee: policy level organizational group established through the Bylaws; reports to/through the BOD; exists until terminated by the BOD/Membership through change in Bylaws • Working Group: function driven group established by a Committee; reports to the founding Committee; exists until terminated by the founding Committee • Task Force: task or project driven group established by a Committee or WG; reports to the founding group; purpose is to establish a specific task/project, or to support a specific task that occurs on a regular, but infrequent basis; exists until task/project is accomplished, or until terminated by founding group 	
Term Limits	The terms of the Chair and Vice Chair of all Organizational Groups shall coincide with the two-year term of the Chair of the Board of Directors. Working Group representation will be reviewed for appropriateness by the Corporate Governance Committee.	<ul style="list-style-type: none"> • Limits for Comm and/or WG representatives • Limits for chairs • Stated terms to facilitate rotation 	
Annual Assessments	(Groups are required to do one; currently sponsored by the Strategic Planning Committee)	<ul style="list-style-type: none"> • Move responsibility to Corporate Governance Committee (from SPC) 	
Membership Criteria		<ul style="list-style-type: none"> • Specify criteria for participation on a group • Include in charter 	

Issue	Current Bylaws Provisions	Suggestion(s)	Notes
Elections and appointments		<ul style="list-style-type: none"> • More communication to Membership regarding annual elections and appointments for vacancies • Specific process for annual election of group Chair 	
Charters		<ul style="list-style-type: none"> • Clarify requirement to have one for every group • Annual review process 	
Structure		<ul style="list-style-type: none"> • MOPC developing proposal to restructure WGs • Specify that a seat is for the person, not the company 	
Attendance Requirements		<ul style="list-style-type: none"> • Representatives are expected to attend meetings; attendance may be in person or via other means provided • Grant of a proxy does not constitute attendance at a meeting • Failure to attend at least 50% of meetings during a calendar year warrants removal from the group unless otherwise directed by the chair of the group 	

For Discussion Purposes Only
SPP Corporate Governance Committee
February 28, 2007

Southwest Power Pool, Inc.

BYLAWS

Issued by: L. Patrick Bourne, Manager
Transmission and Regulatory Policy

Effective: May 1, 2004

Issued on: August 2, 2004

Filed to comply with order of the Federal Energy Regulatory Commission, Docket Nos. RT04-1-002 and ER04-48-002, issued July 2, 2004, 108 FERC ¶ 61,003.

Southwest Power Pool Bylaws

Table of Contents

Comment [s1]: Does not reflect changes in document

1.0 DEFINITIONS.....5

1.1 Affiliate Relationships5

1.2 Articles of Incorporation.....6

1.3 Board of Directors.....6

1.4 Bylaws.....6

1.5 Criteria6

1.6 Member6

1.7 Membership6

1.8 Membership Agreement.....6

1.9 NERC.....6

1.10 Net Energy for Load6

1.11 Officers6

1.12 Organizational Group.....7

1.13 SPP.....7

1.14 Staff.....7

1.15 Transmission Owning Member.....7

1.16 Transmission Using Member.....7

2.0 MEMBERSHIP.....7

2.1 Qualifications.....7

2.2 Applications8

2.3 Member Responsibilities and Obligations8

2.4 Termination, Removal and Reinstatement.....8

3.0 ORGANIZATIONAL ADMINISTRATION9

3.1 Structure9

3.2 Proxy9

3.3 Leadership.....9

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3.3.1	Appointment	9
3.3.2	Terms	10
3.3.3	Vacancies	10
3.4	Executive Authority	10
3.5	Meetings.....	11
3.6	Order of Business.....	11
3.7	Expenses	11
3.8	Quorum	11
3.9	Voting	11
3.10	Appeal.....	12
3.11	Staff Independence and Support	12
3.12	Publications and Data Bases	12
3.13	Dispute Resolution.....	13
3.13.1	Instigation	13
3.13.2	Dispute Resolution Panel.....	13
3.13.3	Resolution Procedures	14
3.13.4	Expenses	15
3.13.5	Liability.....	15
3.14	Meeting of Members.....	15
3.15	Liability, Insurance and Indemnification	16
3.15.1	Waiver of Liability.....	16
3.15.2	Insurance	16
3.15.3	Indemnification of Directors, Officers, Agents and Employees.....	17
3.15.4	Limitations	19
3.16	Compliance Monitoring.....	19
3.17	Market Monitoring.....	20

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4.0	BOARD OF DIRECTORS	21
4.1	Duties	21
4.2	Composition and Qualifications	22
4.2.1	Composition	22
4.2.2	Qualifications	22
4.2.3	Conflicts of Interest.....	22
4.3	Term and Election.....	23
4.4	Resignation and Removal of Directors	24
4.5	Vacancies	24
4.6	Functioning of the Board of Directors	24
4.6.1	Meetings and Notice of Meetings.....	24
4.6.2	Chair and Vice Chair; Election and Terms	25
4.6.3	Quorum and Voting	25
4.6.4	Compensation of Directors	26
4.6.5	Executive Session	26
5.0	COMMITTEES ADVISING THE BOARD OF DIRECTORS	26
5.1	Members Committee.....	26
5.1.1	Composition and Qualifications	26
5.1.2	Term and Election.....	27
5.1.3	Resignation and Removal of Members Committee Representatives.....	28
5.1.4	Vacancies	28
5.1.5	Meetings.....	28
6.0	COMMITTEES REPORTING TO THE BOARD OF DIRECTORS.....	28
6.1	Markets and Operations Policy Committee	28
6.2	Strategic Planning Committee	30
6.3	Human Resources Committee.....	32
6.4	Compliance Committee	33
6.5	Finance Committee	34
6.6	Corporate Governance Committee	35

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7.0	REGULATORY INVOLVELEMTN AND REGIONAL STATE COMMITTEE	36
7.1	Retention of State Regulatory Jurisdiction	36
7.2	Regional State Committee	37
7.3	Retention of Other Regulatory Jurisdiction	38
8.0	FISCAL ADMINISTRATION	38
8.1	Operating Budget	38
8.2	Annual Membership Fee	38
8.3	NERC Assessment	39
8.4	Monthly Assessments	39
8.5	Fiscal Agent	40
8.6	Auditors	40
8.7	Financial Obligation of Withdrawing Members	40
9.0	NORTH AMERICAN ELECTRIC RELIABILITY COUNCIL	40
10.0	AMENDMENTS TO THESE BYLAWS, THE ARTICLES OF INCORPORATION, AND MEMBERSHIP AGREEMENT	41
11.0	EFFECTIVE DATE AND TRANSITION PROVISIONS	41

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B Y L A W S
of
Southwest Power Pool, Inc.

PREAMBLE

The values and principles upon which SPP is incorporated and formed include: a relationship-based organization; member-driven processes; independence through diversity of Organizational Group membership; recognition that reliability and economic/equity issues are inseparable; and, deliberate evolutionary, as opposed to revolutionary, implementation of new concepts. These values and principles should guide those serving this organization. The Board of Directors will endeavor to ensure equity to all Members while also assuring the continuous adaptation to controlling conditions within these stated values and principles.

1.0 DEFINITIONS

1.1 Affiliate Relationships

Affiliate Relationships are relationships between SPP Members that have one or more of the following attributes in common:

- (a) are subsidiaries of the same company;
- (b) one Member is a subsidiary of another Member;
- (c) have, through an agency agreement, turned control of a majority of their generation facilities over to another Member;
- (d) have, through an agency agreement, turned control of a majority of their transmission system over to another Member, except to the extent that the facilities are turned over to an independent transmission company recognized by FERC;
- (e) have an exclusive marketing alliance between Members; or
- (f) ownership by one Member of ten percent or greater of another Member.

Comment [s2]: Retain this provision?
Only applies to election of Directors and Member Committee reps.

Issued by: L. Patrick Bourne, Manager
Transmission and Regulatory Policy

Effective: May 1, 2004

Issued on: August 2, 2004

Filed to comply with order of the Federal Energy Regulatory Commission, Docket Nos. RT04-1-002 and ER04-48-002, issued July 2, 2004, 108 FERC ¶ 61,003.

1.2 Articles of Incorporation

SPP's articles of incorporation as filed with the state of Arkansas.

1.3 Board of Directors

The Board of Directors of SPP, which shall manage the general business of SPP pursuant to these Bylaws.

1.4 Bylaws

These bylaws.

1.5 Criteria

Planning and operating standards and procedures as approved by the Board of Directors.

1.5a Existing Obligations

Certain financial obligations as defined in Section 8.7.1 of these Bylaws.

1.6 Member

An entity that has met the requirements of Section 2.2 of these Bylaws.

1.7 Membership

The collective Members of SPP.

1.8 Membership Agreement

The contract, that specifies the rights and obligations of the parties, executed between SPP and an entity seeking to become an SPP member.

1.9 NERC

The North American Electric Reliability Council or successor organizations.

1.10 Net Energy for Load

The electrical energy requirements of an electric system are defined as system net generation plus energy received from others, less energy delivered to others through interchange. It includes system losses but excludes energy required for the storage at energy storage facilities.

1.11 Officers

The officers of SPP as elected by the Board of Directors. The Officers consist of the President and the Corporate Secretary, at a minimum. Any Officer must be independent of any Member organization.

Issued by: L. Patrick Bourne, Director
Transmission and Regulatory Policy

Effective: July 26, 2005

Issued on: August 9, 2005

Filed to comply with order of the Federal Energy Regulatory Commission, Docket Nos. RT04-1 and ER04-48, issued February 11, 2005, 110 FERC ¶ 61,138 (2005).

1.12 Organizational Group

A group, other than the Board of Directors, comprising a committee or working group that is charged with specific responsibilities toward accomplishing SPP's mission.

Comment [s3]: Check for edits if revise Committee, WG, TF definitions.

1.13 SPP

Southwest Power Pool, Inc.

1.14 Staff

The technical and administrative staff of SPP as hired by the Officers to accomplish SPP's mission.

1.15 Transmission Owning Member

A Member that has placed more than 500 miles of non-radial facilities operated at or above 60 kV under the independent administration of SPP for the provision of regional transmission service as set forth in the Membership Agreement.

Comment [s4]: Any change?

1.16 Transmission Using Member

A Member that does not meet the definition of a Transmission Owning Member.

2.0 MEMBERSHIP

2.1 Qualifications

Membership in SPP is voluntary and is open to any electric utility, Federal power marketing agency, transmission service provider, any entity engaged in the business of producing, selling and/or purchasing electric energy for resale, and any entity willing to meet the membership requirements, including execution of the Membership Agreement. Membership also is open to any entity eligible to take service under the SPP Open Access Transmission Tariff (OATT). These entities desire the greater efficiency and service reliability gained through better coordination by voluntary association in SPP as constituted herein and in the SPP Articles of Incorporation. Members recognize that such association has a significant effect upon the availability and reliability of the bulk electric power supply of the region, and thereby affects the reliability of the nation's electric power supply.

Issued by: L. Patrick Bourne, Manager
Transmission and Regulatory Policy

Effective: May 1, 2004

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Filed to comply with order of the Federal Energy Regulatory Commission, Docket Nos. RT04-1-002 and ER04-48-002, issued July 2, 2004, 108 FERC ¶ 61,003.

2.2 Applications

Membership by an entity shall be obtained upon meeting the following requirements:

- (a) Meeting membership qualifications;
- (b) Providing an application for membership to the SPP President; and
- (c) Executing the Membership Agreement and delivering a signed copy to the President.

The President shall review applications, approve those meeting membership qualifications and promptly give written notice of the new Member to all other Members. The Board of Directors will review any disputes arising as to the qualifications of the new Member.

Membership will commence at the beginning of the next calendar month following completion of these requirements.

Comment [s5]: Need to wait until next calendar month? Previously tied to assessments.

2.3 Member Responsibilities and Obligations

Members recognize that SPP exists and operates for the benefit of the bulk electric transmission system and to ensure the reliability of the nation's power supply. As such, Members are required to act to further these goals by participating in projects, and complying with regulatory requirements. Failure to comply with these provisions will be considered a violation of these Bylaws and the Member may be removed in accordance with the provisions for *Removal of Members* in the Membership Agreement.

2.4 Termination, Removal and Reinstatement

The Board of Directors may terminate the membership of any Member in accordance with the Membership Agreement. The President shall promptly give written notice of the removal to all other Members. Any former Member seeking to rejoin SPP shall apply to the Board of Directors for reinstatement. In its application for reinstatement, the former Member shall:

- (a) provide evidence that it has fully paid any accrued financial obligation to SPP;
- (b) demonstrate it has corrected the reason for its removal;
- (c) establish that it will be in compliance with SPP membership requirements; and
- (d) deliver an executed Membership Agreement to the President.

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3.0 ORGANIZATIONAL ADMINISTRATION

3.1 Structure

Member input on decision-making shall be accomplished primarily through Membership participation in Organizational Groups. Members are expected to provide representation to Organizational Groups as requested. Working ~~group-Group~~ representation will be appointed by the Board of Directors, ~~who-which~~ shall consider the various types and expertise of Members and their geographic locations, to achieve a widespread and effective representation of the Membership. The Chair of any Organizational Group may appoint ~~any-an~~ ad hoc ~~task-Task~~ ~~fores-Force~~ as necessary to fulfill its mission. Task ~~fores-Force~~ appointments shall be made with due consideration of the various types and expertise of Members and their geographic locations. Participation in certain sessions of Organizational Group meetings where market sensitive issues are discussed may be restricted to persons representing entities that have executed NERC's Confidentiality Agreement. Representatives on all Organizational Groups will be documented ~~in-on~~ the SPP ~~directory-website~~ maintained by the Staff. Organizational Group vacancies will be filled on an interim basis by appointment of the President unless otherwise provided for in these Bylaws.

3.2 Proxy

If a Member's designated representative is unable to attend an Organizational Group meeting, it may in writing appoint a substitute representative who shall have such rights to participate and vote as the Member specifies.

3.3 Leadership

3.3.1 Appointment

The Chair of all Organizational Groups shall be nominated by the Corporate Governance Committee for consideration and appointment by the Board of Directors. A Vice Chair shall be elected by the members of an Organizational Group, unless provided otherwise in these Bylaws. A Vice Chair shall act for a Chair:

- (a) at the request of the Chair;
- (b) if the Chair becomes incapacitated and unable to discharge the functions of the position; or

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- (c) if the position of the Chair becomes vacant, until a new Chair takes office.

3.3.2 Terms

The terms of the Chair and Vice Chair of all Organizational Groups shall coincide with the two-year term of the Chair of the Board of Directors. Working Group representation will be reviewed for appropriateness annually by the Corporate Governance Committee.

3.3.3 Vacancies

Should any individual having been appointed as a Chair of any Organizational Group be unable to serve for the term specified, or be unable to serve on a NERC Organizational Group under provisions of these Bylaws, a replacement shall be appointed by the Chair of the Board of Directors for the unexpired term of office.

3.4 Executive Authority

The Officers shall carry out the rights, duties, and obligations of SPP pursuant to the authority granted by the Board of Directors. Officers will execute the SPP Standards of Conduct upon employment and annually thereafter. ~~The Standards of Conduct outline the independence requirements for all employees of SPP.~~ The Officers shall be empowered to:

- (a) employ qualified technical and administrative employees;
- (b) engage office space;
- (c) employ outside technical and special service organizations;
- (d) execute contracts;
- (e) provide for independent regional reliability coordination and transmission service administration;
- (f) serve as SPP's representative before regulatory bodies, NERC, and in other public forums;
- (g) incur reasonable expenses; and
- (h) make Staff resources available to individual Members or groups of Members on a non-firm, non-priority, first-come-first-serve basis so as not to interfere with current or future needs and priorities established by SPP.

Comment [s6]: Not really necessary in the Bylaws.

Comment [s7]: Need to add other services?

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3.5 Meetings

Organizational Groups shall meet as necessary. SPP meetings shall be open, however, any Organizational Group may limit attendance at a meeting by an affirmative vote of the Organizational Group as necessary to safeguard confidentiality of sensitive information, included but not limited to Order 889 Code of Conduct requirements, personnel, financial, or legal matters. Representatives shall be given at least fifteen calendar days written notice of the date, time, place and purpose of each regular or special meeting. ~~Emergency Telephone~~ telephone conference meetings may be called as appropriate by the Chair of any Organizational Group with at least one-day prior notice.

Comment [s8]: Without "emergency" some see that a chair could bypass the notice requirements by simply calling a teleconference meeting rather than a live meeting.

3.6 Order of Business

The latest edition of Robert's Rules of Order will generally govern all SPP meetings on any point not specifically covered in these Bylaws.

3.7 Expenses

The expenses of a representative participating in the activities of SPP Organizational Groups and task forces shall be borne by that representative.

3.8 Quorum

The quorum for a meeting of the Markets and Operations Policy Committee or the Membership shall be those Members present. The quorum for any other Organizational Group or task force shall be one-half of the membership thereof, but not less than three members; provided, that a lesser number may adjourn the meeting to a later time.

3.9 Voting

Each participant in an Organizational Group shall have one vote. Upon joining, Members shall be assigned to one of two Membership sectors for the sole purpose of voting: Transmission Owning Members, or Transmission Using Members. Markets and Operations Policy Committee and Membership actions are taken in the following process. Each sector votes separately with the result for that sector being a percent of approving votes to the total number of Members voting. Then the action is approved if the average of these two percentages is at least sixty-six percent. If no Members are present within a sector, the single present sector-voting

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ratio will determine approval. A simple majority of participants present or represented by proxy and voting shall be required for all other Organizational Group and task force action.

3.10 Appeal

Should any Member or group of Members disagree on an action taken or recommended by any Organizational Group, such Member(s) may, in writing, appeal and submit an alternate recommendation to the Board of Directors prior to the meeting at which consideration of the action by the Board of Directors is scheduled.

3.11 Staff Independence and Support

SPP Staff members will be required to execute the SPP Standards of Conduct upon employment and annually thereafter. The Standards of Conduct outline the independence requirements for employees of SPP. The President shall assign to each Organizational Group an SPP Staff member, who shall attend all meetings and act as secretary to the Organizational Group and any ad hoc task forces of that group. Staff secretaries of all Organizational Groups and task forces shall be non-voting. Minutes shall be kept of pertinent discussion, business transacted, decisions reached, and actions taken at each meeting of SPP Organizational Groups or task forces by the secretary. Minutes shall be published within ten calendar days of a meeting and considered published documents final upon their approval by the Organizational Group or ~~task-Task force~~Force.

3.12 Publications and Data Bases

SPP shall publish and distribute printed reports as necessary to fulfill the SPP mission. SPP shall also develop and maintain electronic databases of relevant technical information as approved by the Board of Directors. The release of information in databases containing member-specific technical data considered proprietary in nature will be governed by the Membership Agreement and related Criteria and administered by the Staff. In the event member specific non-proprietary technical data is being distributed, SPP will provide written notice of the specific data submitted, to whom it is being submitted and the purpose of such submittal to the respective Member at the same time the data is provided to the requesting party. Publications and technical data will be made available at no charge to Members, other regional councils and their members, and federal and state agencies. Other parties requesting SPP publications or technical data will be charged an amount equivalent to production, handling and delivery costs.

Comment [s9]: Still relevant?

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3.13 Dispute Resolution

These procedures are established for the equitable, efficient and expeditious resolution of disputes. These procedures are intended to cover disputes between any two or more Members, between Members and consenting non-members or between SPP and any Member(s) or consenting non-member(s). SPP and Members are strongly encouraged to take part in the complete process herein described prior to litigation or the utilization of other dispute resolution processes. SPP administrative involvement in the proceeding is to coordinate assembly of a non-biased and independent dispute resolution panel to facilitate the resolution of the dispute and to provide meeting coordination and facilities. If SPP is a party to the dispute, its administrative duties shall be turned over to a contracted facilitator mutually selected by the disputing parties. These procedures do not apply to disputes that are covered by the dispute resolution procedures of the SPP OATT.

3.13.1 Instigation

Any Member may begin these dispute resolution procedures by making a request in writing to the President. The President will forward copies of this request to the Board of Directors. This written request must contain the authorized signatures of all parties to the dispute. The request must contain:

- (a) a statement of the issues in dispute;
- (b) the positions of each of the parties relating to each of the issues;
- (c) the specific dispute resolution procedure desired; and
- (d) any agreed-upon modifications or specific additions to the proceedings described in these Bylaws by which the dispute may be resolved.

3.13.2 Dispute Resolution Panel

The President shall immediately provide to each party to the dispute a list of candidates to be used in forming a three-person dispute resolution panel. This list shall be maintained by SPP and can be added to at any time by any Member. This list shall contain at least seven persons meeting the requirements for directors. The President shall then call a telephone conference meeting. During this meeting, each party shall alternate striking names from the list

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until those remaining constitute the dispute resolution panel. This panel shall select a chair from its membership. Should any candidate decline to serve or resign from a current appointment for any reason, the candidate whose name was last struck from the list shall automatically be contacted to serve. The President shall assign a Staff representative to assist the panel as secretary. The President shall manage the panel selection process to ensure its completion within one week from receipt of the request.

3.13.3 Resolution Procedures

The types of proceedings available for the resolution of disputes are:

- (a) An Advisory Proceeding to assist each party through discussion and advice, on a separate and individual basis without active participation in the joint discussions and negotiations, to resolve the dispute informally by mutual agreement;
- (b) A Mediation Proceeding to assist the parties through active participation in the joint discussions and negotiations (including specific recommendations of the issues in dispute) through which the parties indirectly attempt to resolve the dispute informally by mutual agreement;
- (c) A non-binding Dispute Resolution Proceeding to hear formal evidence on factual matters related to the issues submitted, make written findings and conclusions of fact, and issue specific written recommendations for resolution of each issue in dispute.
- (d) A binding Dispute Resolution Proceeding to hear formal evidence on factual matters related to the issues submitted, make written findings and conclusions of fact, and issue directives and awards for resolution of each issue in dispute.

The panel chair shall determine meeting arrangements and format necessary to efficiently expedite the resolution of the dispute, and the Staff secretary shall notify the parties of these details. Each party to the dispute must have at least one representative present at all related meetings with full authority to resolve the dispute. Upon conclusion of this process, the panel chair shall notify the President of its outcome. After consultation with the parties to the dispute

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and the panel chair to determine the completion of the process as described herein, and/or as modified by the parties, the President shall discharge the panel, and notify the Board of Directors of the results. The parties to the dispute agree to complete the process within 90 days from selection of the panel. The Staff secretary shall maintain minutes of the panel meetings, which shall become part of SPP's historical records.

3.13.4 Expenses

The parties to the dispute shall share equally all reasonable charges for the meeting location, administrative costs, and related travel expenses of panel members. The parties to the dispute shall also share equally all reasonable compensation for time and service of panel members and related incremental expenses of the SPP Staff. The President shall determine reasonableness of time and service costs for panel members prior to process implementation. The SPP Staff secretary shall account for these expenses. Each party to the dispute shall be responsible for their respective associated expenses.

3.13.5 Liability

The parties to any dispute which is the subject of these dispute resolution procedures shall hold harmless SPP, its Members, Organizational Groups and each of their directors, officers, agents, employees or other representatives, and the panel members from any liabilities, claims, or damages resulting from any agreement or lack of agreement as a result of the dispute resolution proceedings. The foregoing hold harmless right shall not be extended to the parties to any given dispute or to their directors, officers, agents, employees or other representatives.

3.14 Meeting of Members

The Chair of the Board of Directors shall convene and preside over meetings of Members for the purpose of electing directors to positions becoming vacant in the ensuing year, and any other necessary business. The Membership shall meet at least once per calendar year.

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3.15 Liability, Insurance and Indemnification

For purposes of this section “SPP” refers to SPP and its officers, directors, employees or agents, and “Member” refers to the Members of SPP as defined in these Bylaws. None of the provisions of this section, including the waiver of liability in Section 3.15.1 below, absolving SPP or its Members, directors, officer, agents, employees or other representatives of liability or any provisions for insurance or indemnification apply to actions which are unlawful, undertaken in bad faith, or are the result of gross negligence or willful misconduct.

3.15.1 Waiver of Liability

- (a) SPP shall not be liable to any Member for damages arising out of or related to any directive, order, procedure, action, or requirement of SPP, under the then effective Bylaws and Criteria.
- (b) No Member shall be liable to any other Member or to SPP for damages arising out of or related to any action by the Member pursuant to any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria.
- (c) Each Member waives any future claim it might have against SPP or other Members arising out of or resulting from any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria.
- (d) SPP waives any future claim it might have against any Member arising out of or resulting from any actions taken by a Member pursuant to any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria.

3.15.2 Insurance

The President is authorized to procure insurance to protect SPP, its directors, officers, agents, employees, or other representatives against damages arising out of or related to any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria or pursuant to the OATT.

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3.15.3 Indemnification of Directors, Officers, Agents and Employees

Except for actions which are unlawful, undertaken in bad faith, or are the result of gross negligence or willful misconduct, SPP shall indemnify its directors, officers, agents, employees, or other representatives to the maximum extent allowed by law consistent with these Bylaws. Each director, officer, agent, employee, or other representative of SPP shall be indemnified by SPP against all judgments, penalties, fines, settlements, and reasonable expenses, including legal fees, incurred as a result of, or in connection with, any threatened, pending or completed civil, criminal, administrative, or investigative proceedings to which the incumbent may be made a party by reason of acting or having acted in official capacity as a director, officer, agent, employee, or representative of SPP, or in any other capacity which the incumbent may hold at the request of SPP, as its representative in any other organization, subject to the following conditions:

- (a) Such director, officer, agent, employee, or other representative must have acted in good faith and, in the case of criminal proceedings, must have had no reasonable cause to believe that conduct was unlawful; provided, that SPP shall not provide indemnification of any conduct judged unlawful in criminal proceedings. When acting in official capacity, the incumbent must have reasonably believed that conduct was in the best interests of SPP, and, when acting in any other capacity, must have reasonably believed that conduct was at least not opposed to the best interests of SPP.
- (b) If the proceeding was brought by or on behalf of SPP, however, indemnification shall be made only with respect to reasonable expenses referenced above. No indemnification of any kind shall be made in any such proceeding in which the director, officer, agent, employee, or other representative shall have been adjudged liable to SPP.

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- (c) In no event, however, will indemnification be made with respect to any described proceeding which charges or alleges improper personal benefit to a director, officer, agent, employee, or other representative and where liability is imposed on the basis of the receipt of such improper personal benefit.
- (d) In order for any director, agent, employee, or other representative to receive indemnification under this provision, the person shall vigorously assert and pursue any and all defenses to those claims, charges, or proceedings covered herein which are reasonable and legally available and shall fully cooperate with SPP or any attorneys involved in the defense of any such claim, charges, or proceedings on behalf of SPP.
- (e) No indemnification shall be made in any specific instance until it has been determined by SPP that indemnification is permissible in that specific case, under the standards set forth herein and that any expenses claimed or to be incurred are reasonable. These two (2) determinations shall be made by a majority vote of at least a quorum of the Board of Directors consisting solely of directors who were not parties to the proceeding for which indemnification or reimbursement of expenses is claimed. If such a quorum cannot be obtained, a majority of at least a quorum of the full Board of Directors, including directors who are parties to said proceeding, shall designate a special legal counsel who shall make said determinations on behalf of SPP.
- (f) Any reasonable expenses, as shall be determined above, that have been incurred by a director, officer, agent, employee, or other representative who has been made a party to a proceeding as defined herein, may be paid or reimbursed in advance upon a majority vote of a quorum of the full Board of Directors, including those who may be a party to the same proceeding. However, such director, officer, agent, employee, or other representative shall have provided SPP with (i) a written affirmation under oath that the incumbent, in good faith, believes the

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conditions of indemnification herein have been met; and (ii) a written undertaking that the incumbent shall repay any amounts advanced, with interest accumulated at a reasonable rate, if it is ultimately determined that such conditions are not met.

3.15.4 Limitations

The provisions of this section 3.15 are subject to applicable state and federal laws, if any, which limit the ability of a Member to waive liability or enter into agreements of indemnity. Any benefits under this Section 3.15 shall not extend to any Member so limited by state or federal law in complying with the provisions thereof.

3.16 Compliance Monitoring

Compliance monitoring of Members and Staff shall be performed to ensure compliance with all requirements of Membership. SPP compliance monitoring functions shall be performed in concert with related NERC programs. Compliance monitoring shall be an after-the-fact investigative and assessment function. Compliance monitoring functions shall be provided by SPP Staff, independent and separate from reliability coordination and tariff administration functions.

The Director, Compliance shall be elected by and report to the Board of Directors. The President shall ensure that the Director, Compliance has adequate resources, access to information, and the full cooperation of Staff and Organizational Groups for the effective execution of its duties. Any reports submitted shall first be provided to the Compliance Committee, and, following appropriate review, to the Board of Directors and the appropriate regulatory or oversight body or bodies.

Compliance monitoring functions shall include but are not limited to:

- (a) Investigation of all reports or discoveries of non-compliance with approved Bylaws, Criteria, OATT, agreements between SPP and its Members, and NERC policies and standards;
- (b) Obtaining all information needed to investigate all facets of possible non-compliance;
- (c) Performance of in-depth reviews of operations upon approval from the Compliance Committee;

Comment [s10]: NOTE: revised in RE Bylaws to exclude NERC compliance.

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Transmission and Regulatory Policy
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- (d) Comprehensive compliance audits when recurring issues covering a broad spectrum of violations are determined and documented;
- (e) Imposition of financial penalties and/or sanctions for non-compliance pursuant to approved standards, policies and/or Criteria;
- (f) Confirmation that SPP is conforming to its own Criteria, OATT, business practices, and reliability operations in a manner that does not stifle the efficiency of the energy markets;
- (g) Utilization of dispute resolution procedures as necessary to resolve conflicts; and
- (h) Coordination of policy modifications to clearly define requirements, standards, and penalties in order to objectively monitor compliance.

3.17 Market Monitoring

SPP shall establish and provide appropriate support to a market monitoring function ~~through an independent contractor possessing the requisite experience and qualifications~~. Market monitoring functions shall be carried out in a manner consistent with the safe and reliable operation of the SPP transmission system, the operation of a robust, competitive and non-discriminatory electric power market, and the principle that a Member or group of Members shall not have undue influence or impact.

The market monitoring ~~entity-function~~ shall ~~be selected by and~~ report to the Board of Directors. Any reports submitted shall be concurrently provided to the Board of Directors ~~and the appropriate regulatory body or bodies~~. ~~The President shall ensure that the market monitoring~~ entity has adequate resources, access to information, and the full cooperation of Staff and Organizational Groups for the effective execution of its duties.

Comment [s11]: Discuss.

Market monitoring functions shall include but are not limited to:

- (a) Monitoring and reporting on compliance and market power issues relating to transmission services, including compliance and market power issues involving congestion management and ancillary services and the potential of any market participant(s) to exercise market power within the region by affecting available transmission capacity;
- (b) Evaluation and recommendation of any required modifications to the OATT, standards or Criteria

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Transmission and Regulatory Policy
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- (c) Ensuring that the monitoring program is conducted in an independent and objective manner;
- (d) Development of reporting procedures to inform governmental agencies and others concerning market monitoring activities;
- (e) Monitoring the behavior of market participants to determine whether there is any behavior that hinders the reliable, efficient and non-discriminatory provision of transmission service by SPP;
- (f) Ensuring that SPP's involvement in markets does not discriminate in favor of any market participant or its own interests; and
- (g) Developing plans for mitigating market power, subject to appropriate regulatory approval.

4.0 BOARD OF DIRECTORS

4.1 Duties

The Board of Directors shall at all times act in the best interest of SPP in its management, control and direction of the general business of SPP. The Board of Directors shall solicit and consider a straw vote from the Members Committee as an indication of the level of consensus among Members in advance of taking any actions other than those occurring in executive session. Its duties shall include, but are not limited to the following:

- (a) Direct activities of all SPP Organizational Groups;
- (b) Serve on SPP Organizational Groups;
- (c) Remove Members, and approve the re-entry of Members that have been removed;
- (d) Authorize all ~~major-material~~ contracts and debt instruments;
- (e) Select and review the performance of Officers, who shall serve at the pleasure of the Board of Directors;
- (f) Determine positions, duties, qualifications, salaries, benefits and other necessary matters pertaining to the SPP Staff;
- (g) Review, approve, disapprove or recommend revision to the actions of any Organizational Group;
- (h) Act on appeals pursuant to Section 3.10;

Comment [s12]: Still appropriate?
Management v. policy?

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Transmission and Regulatory Policy
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- (i) Approve or revise the operating and capital budgets and any additional significant expenditures;
- (j) Convene a meeting of Members at least annually;
- (k) Approve certain amendments to these Bylaws;
- (l) Approve certain amendments to the Membership Agreement;
- (m) Approve Criteria pertaining to planning and operating standards and policies and penalties for non-compliance with such Criteria; and
- (n) Authorize filings with regulatory bodies.

Comment [s13]: Need to revise to consider material v. routine?

4.2 Composition and Qualifications

4.2.1 Composition

The Board of Directors shall consist of seven persons. The seven directors shall be independent of any Member; one director shall be the President of SPP. A Director shall not be limited in the number of terms he/she may serve. The President shall be excluded from voting on business related to the office of President or the incumbent of that office. No other Staff member shall be permitted to serve as a director.

4.2.2 Qualifications

Directors shall have recent and relevant senior management expertise and experience in one or more of the following disciplines: finance, accounting, electric transmission or generation planning or operation, law and regulation, commercial markets, and trading and associated risk management.

4.2.3 Conflicts of Interest

Directors shall not be a director, officer, or employee of, and shall have no direct business relationship, financial interest in, or other affiliation with, a Member or customer of services provided by SPP. Directors may indirectly own securities through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or any segments thereof) under which the director does not control the purchase or sale of such securities. Participation in a pension plan of a Member or customer shall not be deemed to be a direct financial benefit if the Member's or customer's financial performance has no material effect on such pension plan.

Comment [s14]: Discuss in light of proposed revisions to Code of Conduct.

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4.3 Term and Election

Except for the President, a director shall be elected at the meeting of Members to a three-year term commencing ~~upon election~~ at the start of the next calendar year and continuing until his/her duly elected successor takes office. Initial staggering of terms will be decided by lottery with two directors' terms to expire in the first year, two in the second year, and two in the third year. The election process shall be as follows:

Comment [s15]: Elections are in late October each year. Practice has been that new terms start in January.

- (a) At least ~~three months~~ 90 calendar days prior to the meeting of Members when election of new directors is required, the Corporate Governance Committee shall commence the process to nominate persons equal in number to the directors to be elected;
- (b) At least ~~one month~~ 30 calendar days prior to the meeting of Members, the Corporate Governance Committee shall notify the President in writing of the persons it nominates for election as directors, specifying the nominee for any vacancy to be filled. The President shall prepare the ballot accordingly, leaving space for additional names, and shall deliver same to Members at least two weeks prior to the meeting of Members;
- (c) For purposes of electing or removing directors only, each group of Members with Affiliate Relationships shall be considered a single Member;
- (d) At the meeting of Members, any additional nominee or nominees may be added to the ballot if a motion is made and seconded by Members; and
- (e) At the meeting of Members, the required number of directors shall be elected by written ballot. Each sector of the Membership votes separately with the result for that sector being a percent of approving votes to the total number of Members voting. Each Member shall be entitled to cast a number of votes equal to the number of directors to be elected. A Member may not cumulate votes. The candidates receiving the highest percent of the average of approving vote ratios within each Membership sector will fill vacancies.

Comment [s16]: Still relevant?

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4.4 Resignation and Removal of Directors

Any director may resign by written notice to the President noting the effective date of the resignation. The Membership may remove a director with cause by the vote of a majority of each Membership sector at a meeting of Members. Removal proceedings may only be initiated by a petition signed by not less than twenty percent of the Members. The petition shall state the specific grounds for removal and shall specify whether the removal vote is to be taken at a special meeting of Members or at the next regular meeting of Members. A director who is the subject of removal proceedings shall be given fifteen business days to respond to the Member petition in writing to the President.

4.5 Vacancies

If a vacancy occurs, the Corporate Governance Committee will present to the Board of Directors for consideration and election an interim director to serve until a replacement director 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 replacement director shall take office immediately following the election.

4.6 Functioning of the Board of Directors

In reaching any decision and in considering the recommendations of any Organizational Group or task force, the Board of Directors shall abide by the principles in these Bylaws.

4.6.1 Meetings and Notice of Meetings

The Board of Directors shall meet at least three times per calendar year and additionally upon the call of the Chair or upon concurrence of at least four directors. At least fifteen calendar days¹ written notice shall be given by the President to each director, the Members Committee, and the Regional State Committee of the date, time, place and purpose of a meeting of the Board of Directors, unless such notice is waived by the Board of Directors. Emergency Telephone telephone conference meetings may be called as appropriate by the Chair with at least one-day prior notice. Board of Directors' meetings shall include the Members Committee and a representative from the Regional State Committee (as defined in Section 7.2) for all meetings except when in executive

Comment [s17]: See comment in Section 3.5.

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session; provided however, the failure of representatives of the Members Committee and/or of the Regional State Committee to attend, in whole or in part, shall not prevent the Board of Directors from convening and conducting business, and taking binding votes. The Chair shall grant any Member's request to address the Board of Directors.

4.6.2 Chair and Vice Chair; Election and Terms

The Board of Directors shall elect from its membership a Chair and Vice Chair for two-year terms commencing upon election and continuing until their duly elected successors take office or until their term as a director expires without re-election. The President of SPP may not serve as the Chairman of the Board of Directors. The Vice Chair shall act for the Chair:

- (a) at the request of the Chair;
- (b) in the event the Chair should become incapacitated and unable to discharge the functions of the office; or
- (c) if the office of Chair becomes vacant, until the next regularly scheduled meeting of the Board of Directors, at which meeting a new Chair shall be elected by the Board of Directors to fill the vacancy. The Chair shall appoint a director to fill a vacant Vice Chair position until the next meeting of the Board of Directors, at which meeting a new Vice Chair shall be elected by the Board of Directors to fill the vacancy.

4.6.3 Quorum and Voting

Five of the directors shall constitute a quorum of the Board of Directors; provided, that a lesser number may adjourn the meeting to a later time. Decisions of the Board of Directors shall be by simple majority vote of the directors present and voting. Directors must be present at a meeting to vote; ~~no~~ votes by proxy are not permitted. Voting will be by secret ballot. The Secretary will collect and tally the ballots, and announce the results of a vote. ~~Only voting~~ Voting results will be announced and recorded in the minutes; no individual votes will ~~not~~ be announced or recorded.

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4.6.4 Compensation of Directors

Directors shall receive compensation as recommended by the Human Resources Committee, and approved by the Membership, and shall be reimbursed for actual expenses reasonably incurred or accrued in the performance of their duties.

Comment [s18]: Or, Corporate Governance Committee?

4.6.5 Executive Session

Executive sessions (open only to directors and to parties invited by the Chair) shall be held as necessary upon agreement of the Board of Directors to safeguard confidentiality of sensitive information regarding personnel, employee employment, financial, or legal matters.

5.0 COMMITTEES ADVISING THE BOARD OF DIRECTORS

5.1 Members Committee

The Members Committee shall work with the Board of Directors to manage and direct the general business of SPP. Its duties shall include, but are not limited to the following:

- (a) Provide individual and collective input to the Board of Directors, including but not limited to a straw vote from the Members Committee representatives as an indication of the level of consensus among Members, on all actions pending before the Board of Directors; and
- (b) Serve on committees reporting to the Board of Directors as appointed by the Board of Directors.

5.1.1 Composition and Qualifications

5.1.1.1 Composition

Provided that Membership is sufficient to accommodate these provisions, the Members Committee shall consist of up to 18 persons. Four representatives shall be investor owned utilities Members; four representatives shall be cooperatives Members; two representatives shall be municipals Members (including municipal joint action agencies); three representatives shall be independent power producers/marketers Members; one representative shall be a state/federal power agencies Member; two representatives shall be alternative power/public interest Members; one representative shall be a large retail customer Member; defined as non-residential end-use customers with individual or aggregated loads of 1-MW or more; and one representative shall be a small retail customer Member, defined as residential customers and other customers with

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individual or aggregated loads of less than 1-MW. Representatives will be elected in accordance with Section 5.1.2 of these Bylaws.

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5.1.1.2 Qualifications

A representative shall be an officer or senior employee of a Member with decision-making responsibility over SPP related activities, and must be the Member's representative to the Membership.

5.1.2 Term and Election

Representatives shall be nominated by the Corporate Governance Committee and elected each year at the meeting of Members to staggered three-year terms commencing upon election and continuing until their duly elected successors take office. Initial staggering of terms will be decided by lottery. The election process shall be as follows:

- (a) At least ~~three months~~90 calendar days prior to the meeting of Members at which election of new representatives is required, the Corporate Governance Committee shall nominate persons equal in number to the representatives to be elected;
- (c) At least ~~one month~~30 calendar days prior to the meeting of Members, the Corporate Governance Committee shall notify the President in writing of the persons it nominates for election as representatives, specifying the nominee for any vacancy to be filled. The President shall prepare the ballot accordingly, leaving space for additional names, and shall deliver same to Members at least two weeks prior to the meeting of Members;
- (c) For purposes of electing and removing representatives only, each group of Members with Affiliate Relationships shall be considered a single vote;
- (d) At the meeting of Members, any additional nominee or nominees may be added to the ballot if a motion is made and seconded to add such nominee or nominees; and
- (e) At the meeting of Members, the required number of representatives shall be elected by written ballot. A Member shall be entitled to cast a number of votes equal to the number of representatives to be elected. A Member may not cumulate votes. The candidates in each sector receiving the greatest number of votes will fill vacancies.

Comment [s19]: See comment Section 4.3.c.

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5.1.3 Resignation and Removal of Members Committee Representatives

Any representative may resign by written notice to the President noting the effective date of the resignation. A representative may be removed, with cause, by the affirmative vote of a majority of the Members at a meeting of Members. Removal proceedings may only be initiated by a petition signed by not less than twenty percent of the Members. The petition shall state the specific grounds for removal and shall specify whether the removal vote is to be taken at a special meeting of Members or at the next regular meeting of Members. A representative who is the subject of removal proceedings shall be given fifteen business days to respond to the Member petition in writing to the President.

5.1.4 Vacancies

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 replacement representative shall take office immediately following the election.

5.1.5 Meetings

The Members Committee shall meet only with the Board of Directors.

6.0 COMMITTEES REPORTING TO THE BOARD OF DIRECTORS

This section describes the general scopes and responsibilities of the Organizational Groups reporting directly to the Board of Directors. Nothing in this section is meant to limit these responsibilities or activities in the effort to fulfill SPP's mission.

6.1 Markets and Operations Policy Committee

Each SPP Member shall appoint a representative to the Markets and Operations Policy Committee (MOPC) at the regular meeting of the Board of Directors immediately following each annual meeting of Members. Each representative designated shall be an officer or employee of

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the Member. The Board of Directors will appoint the Chair and Vice Chair of the MOPC. Each member of the MOPC may continue to be a member thereof until the appropriate Member appoints a successor.

The MOPC shall meet at least three times per calendar year, and additionally as needed. The MOPC shall report to the Board of Directors following each MOPC meeting with respect to its activities and with such recommendations, as the MOPC deems necessary.

The responsibilities of the Markets and Operations Policy Committee shall include:

- (a) Recommend practices for system design, planning, adequacy, regional transmission service tariff, interconnections, operation, reliability, market designs and efficiency, and market power mitigation that will help to assure efficient and reliable power supply among the systems in SPP and SPP transmission customers;
- (b) Coordination with NERC, including periodic review of NERC Policies and Standards and their applicability to SPP and its Members;
- (c) In coordination with the SPP Compliance Committee, make appropriate recommendations to the Board of Directors regarding SPP's compliance with NERC Policies and Standards;
- (d) Review Member operating plans and problems that are pertinent to SPP planning and operation;
- (e) Maintain an annual series of load flow and short circuit models and associated stability data bases representing the current and planned electric network of the region, and maintain a data base of all transmission, generation, and supporting facilities within SPP;
- (f) Review and assess the current and planned electric system of the region;
- (g) Make use of studies available from other regions;
- (h) Recommend to the Board of Directors criteria for planning, operations, and to assist in the efficiency and vitality of the wholesale electricity market;
- (i) Coordinate inter-regional and intra-regional plans and facilitate planning, information exchange, and operations between inter-regional and intra-regional groups;

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Transmission and Regulatory Policy
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- (j) Develop a coordinated plan for intra-regional transmission for greater efficiency and reliability of electric power supply;
- (k) Recommend to the Board of Directors and Members individual or joint action to improve the operation of the systems comprising SPP;
- (l) Respond to activities as requested by the Strategic Planning Committee and the Board of Directors;
- (m) Monitor the current state and evolution of the electric energy supply industry and proactively recommend commercial practices that meet industry needs and promote commerce;
- (n) Work with all SPP Organizational Groups to promote a high standard of operational reliability;
- (o) Continue coordination of its efforts with the efforts of North American Energy Standards Board (NAESB) and the ISO/RTO Council (IRC), including periodic review of NAESB business practices and IRC policies and their applicability to SPP and its Members;
- (p) Complete a self-assessment annually to determine how effectively the MOPC is meeting its responsibilities; and
- (q) Perform such other functions as the Board of Directors may delegate or direct.

6.2 Strategic Planning Committee

The Strategic Planning Committee (SPC) shall be comprised of eleven members. Three representatives shall be from the Board of Directors; four representatives from the Transmission Owning Member sector as nominated by the Corporate Governance Committee; and four representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee.

The Board of Directors shall appoint the representatives of the SPC at the regular meeting of the Board of Directors immediately following each annual meeting of Members. Each representative of the SPC shall continue to be a representative thereof until the Board of

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Transmission and Regulatory Policy
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Directors appoints his/her successor. 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 SPC shall meet at least twice per calendar year, and additionally as needed, provided that a quorum, as defined in these Bylaws, is present. The SPC shall report to the Board of Directors following each SPC meeting with respect to its activities and with such recommendations, as the SPC deems necessary.

The responsibilities of the Strategic Planning Committee shall include:

- (a) Gather information from SPP Members, customers, Staff, regulatory jurisdictions, market monitors, and legislative bodies on industry trends, forecasts and directions;
- (b) Assess the industry environment in which SPP will be operating;
- (c) Assess SPP's capabilities and competencies against the industry environment, including coordination with neighboring entities;
- (d) Develop and recommend to the Board of Directors a mission and vision statement and accompanying goals and objectives;
- (e) Formulate strategies to ensure achievement of SPP's mission statement, goals, objectives, and responsibilities, and recommend necessary modifications to SPP processes to carry out these strategies;
- (f) Work with other Organizational Groups in developing related action plans, schedules and budgets;
- (g) Review annually the structure of the Organizational Groups, and together with the Organizational Group Chairs, the charters of each Organizational Group, and recommend changes to the Board of Directors, as appropriate;
- (f) Review the self-assessments of the Organizational Groups to assure that they are being done on a consistent basis;
- (h) Complete a self-assessment annually to determine how effectively the SPC is meeting its responsibilities; and
- (j) Perform such other functions as the Board of Directors may delegate or direct.

Comment [s20]: Reassign to Corporate Governance Committee?

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6.3 Human Resources Committee

The Human Resources Committee (HRC) shall be comprised of six members. Two representatives shall be from the Board of Directors, one of whom shall serve as the Chair; two representatives from the Transmission Owning Member sector as nominated by the Corporate Governance Committee; and two representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee.

The Board of Directors shall appoint the representatives of the HRC at the regular meeting of the Board of Directors immediately following each annual meeting of Members. Each representative of the HRC shall continue to be a representative thereof until the Board of Directors appoints his/her successor. 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 HRC shall meet at least twice per calendar year, and additionally as needed, provided that a quorum, as defined in these Bylaws, is present. The HRC shall report to the Board of Directors following each HRC meeting with respect to its activities and with such recommendations, as the HRC deems necessary.

The responsibilities of the Human Resources Committee shall include assistance to the Board of Directors in fulfilling its responsibility to the Members, and investment community with respect to the oversight of:

Comment [s21]: ??

- (a) The development and administration of employee benefit programs;
- (b) The effectiveness of SPP's compensation plan for employees and directors;
- (c) The activities of investment managers charged with managing employee benefit assets, including evaluation of performance;
- (d) Approve and monitor SPP staffing structure to ensure it accomplishes organizational mission;
- (e) Maintain current job description for the President and conduct annual performance evaluation;

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- (f) Other duties and responsibilities detailed in the Human Resources Committee charter; and
- (g) Perform such other functions as the Board of Directors may delegate or direct.

6.4 Compliance Committee

The Compliance Committee (CC) shall be comprised of three members from the Board of Directors.

The Board of Directors shall appoint the representatives of the CC at the regular meeting of the Board of Directors immediately following each annual meeting of Members. Each representative of the CC shall continue to be a representative thereof until the Board of Directors appoints his/her successor. Where a vacancy occurs, the Board of Directors will fill the vacancy.

The CC shall meet as needed, provided that a quorum, as defined in these Bylaws, is present. The CC shall report to the Board of Directors following each CC meeting with respect to its activities and with such recommendations, as the CC deems necessary.

The responsibilities of the Compliance Committee shall include:

- (a) Oversee the process of monitoring compliance to SPP and NERC policies;
- (b) Independently review activities of the Staff;
- (c) Hear and rule on appeals from Members regarding penalty assessment or fine distribution prior to dispute resolution proceedings;
- (d) Recommend Criteria changes necessary for enforcement of mandatory compliance and in response to unclear enforcement provisions of Criteria;
- (e) Grant specific additional authority to the Staff responsible for the compliance monitoring function when needed to perform challenging investigations;
- (f) Complete a self-assessment annually to determine how effectively the CC is meeting its responsibilities; and
- (g) Perform such other functions as the Board of Directors may delegate or direct.

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6.5 Finance Committee

The Finance Committee (FC) shall be comprised of six members. Two representatives shall be from the Board of Directors, one of whom shall serve as the Chair; two representatives from the Transmission Owning Member sector as nominated by the Corporate Governance Committee; and two representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee.

The Board of Directors shall appoint the representatives of the FC at the regular meeting of the Board of Directors immediately following each annual meeting of Members. Each representative of the FC shall continue to be a representative thereof until the Board of Directors appoints his/her successor. 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 FC shall meet at least twice per calendar year, and additionally as needed, provided that a quorum, as defined in these Bylaws, is present. The FC shall report to the Board of Directors following each FC meeting with respect to its activities and with such recommendations, as the FC deems necessary.

The responsibilities of the Finance Committee shall include assistance to the Board of Directors in fulfilling its responsibility to the Members, and investment community with respect to its oversight of:

- (a) The quality and integrity of SPP's financial statements;
- (b) SPP's compliance with financially-based legal and regulatory requirements;
- (c) The independent auditor's qualifications, selection, and independence;
- (d) The performance of SPP's internal audit function and independent auditors;
- (e) The development and implementation of annual and long-term operating and capital budgets;
- (f) The management of risk;
- (g) Develop policies for management of debt financing and for long-term contracting;
- (h) Monitoring methodology for cost recovery to ensure continuing equity for Members;

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- (i) Other duties and responsibilities detailed in the Finance Committee charter; and
- (h) Perform such other functions as the Board of Directors may delegate or direct.

6.6 Corporate Governance Committee

To the extent that the membership allows, the Corporate Governance Committee (CGC) shall be comprised of nine members. One representative shall be the President of SPP who will serve as the Chair; the Chairman of the Board, unless his/her position is under consideration, in which case the Vice Chairman of the Board; one representative shall be representative of and selected by investor owned utilities Members; one representative shall be representative of and selected by co-operatives Members; one representative shall be representative of and selected by municipals Members; one representative shall be representative of and selected by independent power producers/marketers Members; one representative shall be representative of and selected by state/federal power agencies Members; one representative shall be representative of and selected by alternative power/public interest Members; and one representative shall be representative of and selected by large/small retail Members.

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

The CGC shall meet at least once per calendar year, and additionally as needed, provided that a quorum, as defined in these Bylaws, is present. The CGC shall report to the Board of Directors following each CGC meeting with respect to its activities and with such recommendations, as the CGC deems necessary.

The responsibilities of the Corporate Governance Committee shall include:

- (a) Seek input from the Board of Directors and the Members Committee as to the skills needed to fill any vacancy under consideration;
- (b) In the event of a vacancy or the replacement of an existing director, provide candidates identified by an independent executive search firm for consideration to the Members for election to the Board of Directors;
- (c) Monitor the composition of the Board of Directors to ensure balance, independence, maintenance of qualifications under any applicable laws, avoidance of conflict of interest, and periodic review of the criteria for

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- independence set out in the Bylaws and appropriate regulatory bodies, recommending changes, as appropriate;
- (d) Recommend to the Board of Directors the appointment of Organizational Group representatives and leadership except for the Corporate Governance Committee, the Members Committee, whose representatives are elected by the Members, and the Market and Operations Policy Committee, whose representatives are appointed by the Members;
 - (e) Develop criteria governing the overall composition of the Board of Directors for recommendation to the ~~Board of Directors~~Membership;
 - (f) Coordinate an annual review and assessment of the effectiveness of the Board of Directors, its structure, and process;
 - (g) Develop recommendations for the Board of Directors regarding a director succession policy;
 - (h) Complete a self-assessment annually to determine how effectively the CGC is meeting its responsibilities; and
 - (i) Perform such other functions as the Board of Directors may delegate or direct.

7.0 REGULATORY INVOLVEMENT AND REGIONAL STATE COMMITTEE

Any regulatory agency having utility rates or services jurisdiction over a Member may participate fully in all SPP activities, including participation at the SPP Board of Directors meetings. These representatives shall have all the same rights as Members except the right to vote. Participation includes the designation of representatives by each of the regulatory jurisdictions to participate in any type of committee, working group, task force, and Board of Directors meetings.

7.1 Retention of State Regulatory Jurisdiction

Nothing in the formation or operation of SPP as a FERC recognized regional transmission organization is in any way intended to diminish existing state regulatory jurisdiction and authority. Each state regulatory agency is expressly reserved the right to exercise all lawful means available to protect its existing jurisdiction and authority.

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