



**Southwest Power Pool
REGIONAL STATE COMMITTEE
March 1, 2007
Teleconference**

• M I N U T E S •

Administrative Items:

Members in attendance or represented by proxy were:

- Julie Parsley, Public Utility Commission of Texas (PUCT)
- Brian Moline, Kansas Corporation Commission (KCC)
- Sandra Hochstetter, Arkansas Public Service Commission (APSC)
- Denise Bode, Oklahoma Corporation Commission (OCC)
- Steve Gaw, Missouri Public Service Commission (MPSC)

Others in attendance:

- Tom DeBaun, Kansas Corporation Commission
- Robert Krehbiel, Kansas Corporation Commission
- Matthew Tomc, Kansas Corporation Commission
- Bridget Headrick, Public Utility Commission of Texas
- Adrienne Brandt, Public Utility Commission of Texas
- Joyce Davidson, Oklahoma Corporation Commission
- Mike Proctor, Missouri Public Service Commission
- Greg Meyer, Missouri Public Service Commission
- Sam Loudenslager, Arkansas Public Service Commission
- Ted Thomas, Arkansas Public Service Commission
- Harry Skilton, SPP Director
- Jeff Knottek, City Utilities of Springfield
- Mel Perkins, OG&E
- Phillip Crissup, OG&E
- David Douglas, Aquila, Inc.
- Tong Ingram, FERC
- Sedina Eric, FERC
- Walter Wolf, Stone, Pigman, Walther, Wittman, LLC
- Les Dillahunty, Southwest Power Pool, Inc.
- John Mills, Southwest Power Pool
- Nick Brown, Southwest Power Pool.
- Carl Monroe, Southwest Power Pool
- Richard Dillon, Southwest Power Pool
- Cheryl Robertson, Southwest Power Pool

President Parsley called the meeting to order at 1:10 p.m. Roll was called and a quorum declared.

Business Meeting:

Dr. Mike Proctor discussed cost allocation alternatives and the process for the Cost Allocation Working Group (CAWG) and the RSC (Presentation – Attachment 1). Two basic components are involved: content and schedule of meetings. He called attention to schedule considerations hoping to complete cost allocation alternatives by the July 2007 RSC meeting and the final policy determination to be made by the October 2007

Regional State Committee
March 1, 2007

RSC meeting. Dr. Proctor stated that it may be beneficial to hold a summit the morning of the July RSC meeting to discuss the benefit of alternative cost allocation. Currently the plan is to hold monthly CAWG meetings with follow-up recommendations to the RSC. Ms. Hochstetter suggested having presentations from multiple stakeholders at meetings rather than limiting it to the CAWG as all would benefit from the dialog much as in the Base Plan discussions.

Les Dillahunty explained that the OG&E waiver, due to an administrative oversight in January, there was no formal action taken by the RSC (OG&E Waiver – Attachment 2). Mr. Dillahunty stated that the CAWG had agreed the monetary amount was reasonable and recommended the approval of the waiver but the CAWG did not agree with the SPP staff assumptions included in their recommendation. The Markets and Operations Policy Committee approved the waiver during its January, 2007 meeting and the SPP Board of Directors approved the waiver on January 30, 2007 contingent upon the RSC's endorsement. Sandra Hochstetter moved to approve and Denise Bode seconded the motion. The motion passed unanimously.

Mr. Dillahunty reviewed possible modifications of the RSC Bylaws and Travel Policy (RSC Bylaws and Travel Policy – Attachment 3).

- Article IX, Section 4 of the RSC Bylaws regarding approved signatures is not being followed. It was suggested that the paragraph be revised to conform with the current practices.
- Sandra Hochstetter suggested a new Article IX, Section 5 to read:
DELEGATED AUTHORITY. For routine payment of meeting and travel expenses incurred by SPP RSC Members and their designees, including designated State Commission Staff members, the SPP RTO may act as agent for the RSC and make payment of such expenses in accordance with the RSC's then-current Expense Reimbursement Policy. Such expenses shall be paid from the RSC's approved Budget. For items of a non-routine and more financially significant nature, such as an RSC-commissioned cost-benefit study or a large conference or event, the RSC Board of Directors may provide approval to the appropriate person within the SPP RTO to pay for such expense, acting as agent for the RSC. Commissioner Hochstetter will check language with groups similar to the RSC and report back.
- Mr. Dillahunty reviewed the Travel Policy stating the number of state commission regulatory staff to be reimbursed from one state for attendance at the same SPP meeting. Several ideas were discussed. Mr. Dillahunty will work with Commissioner Hochstetter to develop draft revisionary language for the April meeting.
- Mr. Dillahunty addressed the practice of whether or not to allow e-mail (as opposed to in-person or conference call) votes on non-substantive, non-critical matters. Following discussion, it was decided to develop language to add to the Bylaws.
- Mr. Dillahunty inquired if it would be better to extend the deadline from 30 days to 60 days in regards to submitting expenses for reimbursements. It was suggested that this flexibility would be beneficial. This change will be added to the draft Bylaws changes.
- Sandra Hochstetter stated that the audit presented for approval at the January meeting was for the year 2005. It is now time to retain an auditor for 2006. She moved to retain the same auditor as used to perform the 2005 Audit. Steve Gaw seconded the motion, which passed unanimously. It was decided that at the first meeting of the calendar year the policy should be for the Secretary/Treasurer to suggest the retention of an auditor.

Scheduling of Next Regular Meeting, Special Meetings or Events:

President Parsley noted that the next regularly scheduled RSC meeting is in Oklahoma City, Oklahoma on April 23-24, 2007.

With no further business, the meeting was adjourned.

Respectfully Submitted,

Les Dillahunty

Southwest Power Pool Regional State Committee

**March 1, 2007
1:00 p.m. – 2:00 p.m. CST**

TELECONFERENCE MEETING

AGENDA

- 1. CALL TO ORDER**
- 2. DECLARATION OF A QUORUM**
- 3. BUSINESS MEETING - ALL ITEMS SUBJECT TO DISCUSSION AND ACTION**
 - a. OG&E Waiver (action item) – due to an administrative oversight during the January 29th RSC meeting no formal action on this waiver was taken. The SPP Board of Directors agreed to this waiver contingent upon RSC approval. Attached is the original waiver request, the SPP Staff recommendation, excerpts from the MOPC minutes of October 10-11, 2007 and the SPP Board of Directors motion.**
 - b. RSC Bylaws and Travel Policy ---- review and possibly modify these documents in the following areas: 1) number of state commission regulatory staff to be reimbursed from one state for attendance at the same SPP meeting; 2) deadline for submittal of RSC member, staff, or designee expenses to SPP for reimbursement; and; 3) whether or not to allow e-mail (as opposed to in-person or conference call) votes on non-substantive, non-critical matters. Copies of the RSC Bylaws and Travel Reimbursement Policy are attached.**
 - c. Scheduling of future RSC teleconferences and/or meetings to discuss economic upgrades.**
 - d. Address 2006 RSC audit and tax return preparation.**
 - e. Other**
- 4. ADJOURN**

Notice of Meeting of the Southwest Power Pool Regional State Committee

The Southwest Power Pool (SPP) Regional State Committee (RSC) will hold a public meeting at 1:00 p.m. CST by teleconference on March 1, 2007. The business meeting will involve discussion and possible action as set forth in the attached Agenda. Members who are not able to attend in person should submit a proxy in accordance with the Bylaws.

Persons planning to attend the meeting should register online at least one day prior to the meeting at <http://www.spp.org>.

Cost Allocation Alternatives: Process for CAWG and RSC

CAWG Meeting
February 21, 2007

Process Defined

Process as defined herein involves to basic components:

1. Content – what is to be considered
2. Schedule – when and by whom

Content Considerations

- Benefit to Cost Ratio Qualifications
- Beneficiaries Calculations
- Cost Allocation Alternatives
- Applying Beneficiaries Tests

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Benefit to Cost Ratio

- Benefits metrics (e.g., Adjusted Production Cost Savings) tend to measure maximum theoretical benefits
 - Treatment of Ancillary Services
 - Differences between bids and costs
 - Factors that result in higher costs
 - Absence of Day-Ahead market
 - Load forecasting
 - Others
- Need to determine B/C ratio qualification for cost allocation; e.g., 1.25 to 1
- Need to determine if B/C ratio qualification applies to projects vs. portfolios of projects.
 - Can a project qualify if $B > C$, but an overall portfolio must meet a $B > 1.25 * C$ standard?

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Beneficiaries Calculations

- Key is beneficiaries % of portfolio benefits.
 - What benchmarks are needed at the load-serving entity level of granularity to provide good checks and balances?
 - What are the key uncertainties for which sensitivities need to be performed?
- Need to discuss how portfolio is designed.
 - High voltage backbone system and lower voltage systems needed to deliver benefits to customers.
 - What design elements are necessary to produce a “balanced” portfolio – one that results in a fairly uniform distribution of benefits?
- Need to determine importance of the timing of projects within the portfolio to cost allocation.
 - Early beneficiaries vs. Later beneficiaries

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Cost Allocation Alternatives

- Allocation of Higher Voltage (345 kV ↑) Backbone System
 - Beneficiaries Pay
 - Postage Stamp
 - Usage Charges (Load Flow)
 - e.g., TOU or MWh charges on imports and exports
 - Combinations of Above
- Allocation of Lower Voltage Delivery Systems
 - Beneficiaries Pay
 - License Plate
 - e.g., costs allocated to zone in which facilities are built
 - Usage Charges
 - Combinations of Above
- Combined or Portfolio Allocations
 - All of the above w/o separation based on voltage

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Applying Beneficiaries Tests

- Portfolio Calculations
 - Period for calculation (7-10 years)
 - Phase-in of cost allocation
- Criteria for Cost Allocation
 - Allocated costs cannot exceed expected benefits
- Adjustments to Basic Cost Allocation
 - Adjustments to basic cost allocation to meet criteria

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Schedule Considerations: CAWG

- Overall Time Frame
 - Complete alternatives by July 2007 RSC meeting.
 - Final determination by October 2007 RSC meeting
- Sequencing of Discussions on Contents
 - March: Emphasis on B/C Qualification
 - April: Emphasis on Beneficiaries Allocations
 - May-July: Emphasis on Cost Allocation Alternatives
 - Aug-Oct: Application of Cost Allocation Alternatives to proposed portfolios with emphasis on Beneficiaries Tests – more details at August meeting.
- Number of meetings per Month
 - One meeting face-to-face (day before RTWG meeting)
 - Follow-up teleconference meeting to discuss recommendations, with face-to-face as needed.

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Schedule Considerations: RSC

- Presentation of Results to RSC
 - Each month present recommendations to the RSC
 - Determine whether this needs to be an “official” RSC meeting – probably done by teleconference
 - At RSC face-to-face meeting in April: Present recommendations made thus far for official vote of approval.
 - At RSC face-to-face meeting in July: Present recommendations for official vote of approval on Cost Allocation Alternatives.
 - At RSC face-to-face meeting in October: Present final recommendation for official vote of approval.

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SPP Staff Inputs to Process

- Critical to have SPP Staff at March and April meetings to discuss technical aspects of calculating benefits and providing input to recommendations.
- Critical to have SPP Staff applying cost allocation alternatives to portfolios and presenting results during the August to October CAWG meetings.

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May 19, 2006

Mr. John Mill, P.E.
Manager Tariff Studies
Southwest Power Pool
415 North McKinney, 140 Plaza West
Little Rock, AR 722053546

On request for transmission service, request number 1032973, was submitted to the SPP, OG&E designated Centennial Wind Farm as a designated network resource with a nameplate rating of 120 MW, with an August planning capacity of 8 MW as determined by SPP Criteria 12.

Subsequently to making the request, OG&E has provided SPP documentation to show that it owns the units and hence we will have them for well over the five years as stated in Attachment J, Section III, Part B1. OG&E is on record with as expected of 25 years service, as testified to the Oklahoma.

OG&E request a waiver to include more of the allocated costs, above the Safe Harbor Limit, charge to OG&E be included in the base plan funding case. The basis of the wavier request is that the term of the service request (25 years) substantially exceeds the 5 year minimum requirement. OG&E is asking for total relief, if not total at least partial relief for some consideration due to the our commitment to this project being well over five years in length as specified in the tariff.

Sincerely,

A handwritten signature in black ink that reads 'M.D. Sheriff'.

M.D. Sheriff, P.E.
Strategic Planner
OG&E Electric Service.



Southwest Power Pool, Inc.
SOUTHWEST POWER POOL STAFF
Recommendation to the Markets and Operations Policy Committee
On Attachment J Waiver Requests
October 10-11, 2006

Organizational Roster

The following members represent the Southwest Power Pool Staff:

Leslie E. Dillahunty, Vice President, Regulatory Policy

Patrick Bourne, Director, Transmission Policy

Jay Caspary, Director, Engineering

John Mills, Manager, Tariff Studies

Heather Starnes, Attorney

Background

Attachment J of the SPP Tariff addresses recovery of costs associated with new transmission facilities. Subsection III of this section addresses Base Plan funding for network upgrades, including the Safe Harbor Cost Limit of \$180,000/MW, and provides for waivers, whereby application may be made for additional Base Plan funding for a network upgrade in excess of the Safe Harbor Cost Limit based on three independent factors.

SPP has received its first two requests for waiver under this Tariff provision from Oklahoma Gas and Electric ("OG&E") and Golden Spread Electric Cooperative ("GSEC").

OG&E's request is for Centennial Wind Farm and is based on Section III.C.2.ii. of Attachment J, which provides for waiver based upon the time commitment of the application to a Designated Resource beyond the five-year requirement. OG&E has committed to a reservation time period of 25 years for Centennial.

GSEC's request is for Holcomb East and is based on Section III.C.2.i., which provides for a waiver if there are insufficient competitive resource alternatives for a customer, and Section III.C.2.ii., which provides for a waiver based upon the time commitment made by the applicant to a Designated Resource beyond the five-year requirement. GSEC has committed to a reservation time period of 30 years for Holcomb East.

After initial review of the applications, Staff requested additional information from both applicants to support their waiver requests and to provide staff with input regarding how the waiver requests should be evaluated. In late September, SPP received responses to the data requests and has reviewed the information provided.



Analysis

Based on a thorough review and evaluation of the information provided by both applicants in support of their waiver requests, SPP concludes that GSEC has failed to meet its obligation to prove that it had insufficient competitive resource alternatives with regard to the Holcomb East plant.

In response to the requests for waiver based on service life, SPP has developed, based on the information provided by applicants, a two-prong analysis for determining the amount of waiver provided. A part of that analysis includes a proposal that the applicant should bear some of the cost of the upgrade as a market cost signal. This two-pronged analysis includes a service life component and a regional/zonal benefit component.

Recommendation

SPP Staff recommends that a waiver be granted to OG&E based upon the two-pronged analysis developed for waiver requests based on service life (Section III.C.2.ii of Attachment J). Under this analysis, OG&E would receive \$182,250/MW, which would increase the Base Plan Funding for Centennial by \$747,000.

SPP recommends that no waiver be granted for GSEC based upon the insufficient resource alternatives provision (Section III.C.2.i.). Using the two-pronged analysis developed for waiver requests based on service life (Section III.C.2.ii.), Staff recommends that GSEC receive \$235,250/MW, which would increase the Base Plan Funding for Holcomb East by \$22,500,000.

Approved: SPP Staff Recommendation

Action Requested: MOPC Approval and Recommendation to the Board of Directors

Attachment: Overview of Tariff Requirements and Exhibits

MOPC Minutes of 10/10/07:

Robin Kittel asked the Committee to suggest what alternatives could be suggested to come to agreement on the waiver for OG&E. After much discussion, the following motion was made.

Rob Janssen (Redbud Energy) made a motion that the MOPC direct the SPP staff to present and discuss its recommendation, in addition to the criteria used to evaluate a waiver, to the CAWG for their direction and recommendation prior to the next MOPC meeting in January 2007. This motion was seconded by David Brian (ETEC). This motion passed with no opposition or abstentions.

Rob Janssen (Redbud Energy) made a motion that the MOPC recommend to the Board of Directors that “unusual circumstances” exist in the OG&E waiver and that the MOPC is recommending an extension in the 120-day deadline to the end of January 2007. This was seconded by Bary Warren (Empire) and passed unanimously with no opposition or abstentions.

BOD Motion 1/30/07

The OG&E Reservation 1032973 designated as Centennial Wind Farm with a waiver amount recommended by the SPP staff of \$747,000, be approved contingent upon approval by the RSC.

SPP STAFF RECOMMENDATIONS ON WAIVER REQUESTS

Overview of Tariff Requirements

Other RTOs/ISOs

The conditions in the SPP Tariff for classifying upgrades associated with Designated Resources (“DR”) as Base Plan Upgrades, including the Safe Harbor Cost Limit (“SHCL”) and the waiver request with its associated factors to be considered in evaluating such requests, are unique.

Other multistate ISOs/RTOs researched (PJM, ISO New England) do not have provisions similar to SPP concerning the evaluation of waiver requests based on factors such as those presented in the waiver requests of Oklahoma Gas & Electric (“OG&E”) and Golden Spread Electric Cooperative (“GSEC”); i.e. exceeding a five-year commitment period for a DR or insufficient competitive resource alternatives.

In ISO New England, cost allocation for transmission upgrades is based on causation. In PJM, different criteria are used to determine the cost allocation for different types of upgrades. These are:

- Baseline Reliability: Contribution of Load to Planning Criteria Violation
- Generation and Merchant Transmission Interconnection: “But-for” allocation
- Economic Upgrades: Projected Savings Based on Impact of Load on Constraint
- Operational Performance: Contribution of Load to Need for Operational Procedures

The ISO New England tariff does have a provision for the ISO to make a determination of whether there are incremental costs associated with a Regional Benefit Upgrade that exceed the requirements that the ISO deems reasonable and consistent with Good Utility Practice and the current engineering design and construction practices in the area in which the transmission upgrade is built. These incremental costs are called Localized Costs. Exhibit 1 is a New England planning procedure that provides detailed guidance for the cost review of Regional Benefit Upgrades (including information submittal), in order to determine whether there are Localized Costs to be excluded from the regional costs recoverable under the New England

Tariff. The Localized Costs are the responsibility of the entity or entities causing the Localized Costs. Exhibit 2 is a recent New England cost allocation determination letter, including a supporting summary of the determination of Localized Costs for the project. Due to the volume of the exhibit, select pages have been included for your review. The entire letter may be viewed at the following link:

http://www.iso-ne.com/trans/pp_tca/isone_app_approvals/tca/2006/sep/nu_phase1_tca_letter.pdf

The ability of SPP to have enough substantive information made available to it by the Transmission Customer in order to determine whether insufficient competitive resource alternatives are available to the Transmission Customer is a new and unique challenge for SPP staff. The Transmission Customer requesting a waiver bears the responsibility of providing sufficient supportive information to SPP to justify additional Base Plan funding.

Summary and History of Waiver Request Information

SPP has the authority under Section III.C.2. of Attachment J to grant waivers from one or more of the conditions of Section III.B thereof. The Section III.C.2. list of factors includes, but is not limited to, three independent substantive general factors. The first factor permits a waiver if there are insufficient competitive resource alternatives for a customer. The second permits waiver of the SHCL in whole or in part after considering the duration of the customer's commitment to the designated resource beyond the five-year commitment requirement. The third permits the waiver of the five-year commitment requirement if the upgrade costs are significantly less than the SHCL or if the benefits of the upgrades to other customers would offset the costs allocated to other those other customers in less than five years as a result of the waiver. Section III.C.2. also permits SPP to consider other and unique factors in its analysis.

Pursuant to Attachment J of the SPP OATT, following receipt of a request for a waiver, SPP will review the request and, based on consideration of the factors set forth in Section III.C.2 of Attachment J, make a determination in a nondiscriminatory manner as to the granting of the waiver. SPP will then provide a report for each waiver, including the recommendation, to the Markets and Operations Policy Committee ("MOPC"), who will then consider the waiver request and provide its own recommendation to the SPP Board of Directors. Barring unusual

circumstances, a waiver request will be reviewed and submitted to the SPP Board of Directors within one hundred twenty days following receipt of the waiver request.

History of OG&E Waiver Request

SPP studied transmission service request 1032973 as part of its aggregate study SPP-2006-AG1-AFS-4. The study was completed on August 24, 2006. It indicated that relatively minor upgrades to local 138 and 69 kV lines and replacement of a 138/69 kV transformer were required in order to implement the service request. The estimated Engineering and Construction costs allocated to OG&E for these upgrades is \$ 4,142,282. The list of upgrades required is shown in Exhibits 3a and 3b.

SPP also advised OG&E that the network upgrades necessitated by the service request may exceed the SHCL under Attachment J of SPP's OATT. On May 19, 2006, SPP received OG&E's request for waiver of the SHCL. The Tariff provisions required a recommendation to be submitted by SPP to the SPP Board of Directors on this request no later than September 16, 2006. On August 29, 2006, SPP sent a letter to O&GE requesting information to support their waiver request and requesting input regarding how the waiver request should be evaluated. On September 25, 2006, in response to the SPP staff data request, OG&E provided additional information which is included as Exhibit 4.

History of GSEC Waiver Request

SPP studied transmission service request 1034404 as part of its aggregate study SPP-2006-AG1-AFS-3. The study was completed on July 21, 2006. It indicated that significant regional upgrades to install more than 600 miles of 345 kV lines, related substations and autotransformers, and numerous 138 and 69 kV upgrades throughout Kansas, Oklahoma, and Texas were required in order to implement the service request. SPP also notified GSEC that the network upgrades necessitated by the service request may exceed the SHCL under Attachment J of SPP's OATT. On May 19, 2006, GSEC returned to SPP a Letter Agreement consenting to a cost allocation described therein but with several conditions. In addition, GSEC requested a

waiver of the SHCL on the basis that there are insufficient competitive resource alternatives for one or more of the Transmission Customers and that GSEC's commitment to the designated resource exceeds five years under Attachment J, Sections III.C.2.ii and III.C.2.iii, respectively. Subsequently, on August 9, 2006, GSEC notified SPP by letter that it had withdrawn its request 1034404 and resubmitted its request under a new OASIS #1090288 request to be studied in aggregate study SPP-2006-AG2. The August 9 letter also advised that GSEC was requesting a waiver from the SHCL for the OASIS #1090288 request. On August 29, SPP notified GSEC that, based on the withdrawal, OASIS #1090288 would be treated as a new request for service and a new waiver request as indicated by the August 9 letter; hence SPP Tariff provisions require a decision on the GSEC waiver request no later than Thursday, December 7, 2006.

SPP studied transmission service request 1090288 as part of its aggregate study SPP-2006-AG2-AFS-1. The study was posted on September 8, 2006. Currently, transmission service request 1090288 is part of the aggregate study SPP-2006-AG2-AFS-2. Based on the aggregate study SPP-2006-AG2-AFS-1, the estimated Engineering and Construction costs allocated to GSEC for these upgrades is \$ 107,219,996. The list of upgrades required is shown as Exhibits 5a and 5b.

Finally, on August 29, 2006, SPP requested additional information from GSEC for the purposes of substantiating its bases for the waiver request and providing input regarding how the waiver request should be evaluated. That information was provided by GSEC on September 25, 2006, and is provided as Exhibits 6a, 6b, 6c, and 6d.

SPP has identified the Spearville to Mooreland and Mooreland to Potter upgrades as a reliability expansion plan project for 2015. Since the GSEC and other projects in the aggregate study SPP-2006-AG2-AFS-2 need these upgrades in 2011 for their service, SPP is working on displacing these upgrades in accordance with Attachment J, Section VII.C. of the SPP Tariff. This displacement of the expansion plan project may negate the need for any additional Base Plan funding by GSEC.

Staff Analysis

Insufficient Competitive Resource Alternatives – GSEC only (Attachment J, Section III.C.2.i.)

GSEC has described the new resources and described the discussions they had with American Electric Power Company (“AEP”) and Western Farmers Electric Cooperative (“WFEC”). SPP staff accepts this explanation, but found no written documentation to support those discussions.

GSEC provided computer analyses to make a case for proof of their DR selection and submitted that in the response to the SPP staff data request. GSEC did not go through a formal bidding process in conjunction with this Designated Resource solicitation as might be expected or required in a different regulatory climate.

In response to the SPP data request, GSEC provided a computer analysis considering five possible designated resources. GSEC choose Red Rock, Plum Point, Hugo II, Tenaska and Holcomb projects for the comparative analysis. The computer load flow analyses were initiated by GSEC in response to the SPP staff data request. SPP reviewed the computer analyses but has found them inconclusive.

Based on the email from CH Guernsey and Company, the analysis noted that all potential DR’s had major transmission restraints. Based on the analyses performed, there were notes on the Holcomb and the Hugo print-out that noted “load flow case would not solve due to system restraints”. This failure of the load flow case to solve indicates that the system solution proposed is inadequate to meet the conditions being simulated. The general implication is that of the five projects studied, Hugo2 and Holcomb have the worst transmission restraints studied.

Based solely on this analysis, GSEC failed to prove that GSEC had insufficient competitive resources in accordance Attachment J Section III.C.2.i. GSEC has been successful in adding Designated Resources such as Mustang IV and V. It should also be noted that the Mustang Station is very advantageously located from a transmission system perspective.

After considering the limited information available regarding the lack of competitive resources, SPP staff recommends no Base Plan funding be included for the waiver request as described in Attachment J Section III.C.2.i.

Service Life (Attachment J, Section III.C.2.ii)

Two-part Analysis

Service Life (“SVC”) Life

In its April 22, 2005, Order approving Attachment J, the FERC determined that SPP must have some flexibility in making cost allocation determinations and, therefore, the waiver process was appropriate. SPP is aware that there are competing interests in Base Plan funding and will consider those interests within this flexibility. Transmission customers requesting upgrades want the cost of facilities to be Base Plan funded. Other customers want to be protected from the cost of facilities that may or may not benefit them. SPP also believes that transmission customers requesting upgrades that exceed the SHCL should bear some of the cost of the transmission upgrade as a market cost signal.

SPP recommends that the service life used for adjusting any project requesting a waiver be a maximum of 40 years. Based on this service life, the maximum credit allowable is 2.5% per year. Since the Attachment J minimum for Base Plan funding is 5 years, the use of 2.5% would be considered for reservations greater than the 5-year minimum.

SPP has not been involved with the process regarding selection of the site for these new Designated Resources. The site selection process has been that of OG&E and GSEC, and while those decisions may or have already undergone regulatory review, the inclusion of these facilities at this point in the aggregate study is assumed to be solely that of OG&E and GSEC. The Eligible Customer should be responsible for at least 50% of the risk of any calculation with regard to the review for the waiver process. Based on this 50% basis, the Eligible Customer should bear not less than 1-1/4% of the burden of any added cost for the purpose of reviewing of any waiver requests.

Regional/Zonal Benefit

SPP has looked at a need to use a factor for adjusting any project requesting a waiver based on the regional zonal benefit. Based on the regional zonal benefit factors, the waiver could increase above the \$180,000 safe harbor limit depending on the number of zones influenced. SPP staff proposes the following regional zonal benefit chart be used.

<i># of Zones Benefited</i>	<i>Percentage</i>
1	5%
2	10%
3	15%
4	20%
5	25%
6	30%
7	35%
8	45%
9	50%
10	60%
11	70%
12	80%
13	85%
14	90%
15	100%

Staff Recommendation

Potential Base Plan Funding Impacts to Accepting the Waiver Requests

The SPP Tariff contemplates the possible granting of a waiver based on the factors noted in the earlier discussion based on a reservation that is greater than 5 years. (Attachment J, Section III.C.2.ii.) SPP has provided Eligible Customers results for 434 customers since the first study in 2005. Of these 434 eligible customers, 320 or 74% have requested greater than a five-year reservation. These are the first two waiver requests and may establish important precedent with far greater economic and transmission impacts than those presented here. The treatment of these waivers will be instrumental in setting the tone for others to follow.

As a general statement, if the “safe harbor” limit were to increase by \$20,000/MW and an average of 1000MW of firm service were granted in each of the three aggregate studies each year, this would increase the potential base plan funding by \$60,000,000/year.

Maximum Base Plan funding benefit

1. Reservation time period would be equal to the 40 year service life.

$$40 - 5 = 35 \text{ years}; 35 * 1-1/4 \% = 43.75\%$$

2. Regional Zonal Benefit factor:

The Megawatt-Mile (“MW-MI”) analysis would show benefit to all 15 zones.

Based on all zones the factor = 100%

These two factors multiplied together equals to 43.75%. This added to 100% = 143.75%.

$$143.75\% * 180,000/\text{MW} = \$ 258,750/\text{MW} \text{ as the maximum Base Plan funding benefit}$$

SPP Staff Recommendation

Calculations for Increasing the “Safe Harbor” Cost Limit
Due to a Waiver Request in Accordance with Attachment J, Section C.III.2.ii.

Factors:

1. (Reservation time period – 5 years) times (service life factor (1-1/4 %))
2. Regional zonal benefit factor

These two factors as a percent shall be multiplied together to determine the overall factor to use. This factor added to 100% shall be multiplied by the original “safe harbor” cost limit (\$180,000) to determine the SPP recommended “new safe harbor” limit for the project requesting a waiver.

OG&E

1. Reservation time period is 25 years. $25 - 5 = 20$ years; $20 * 1-1/4 \% = 25\%$
2. Regional Zonal Benefit factor:

For the OG&E waiver request MW-MI analysis show benefit to only the OG&E zone.

Based on one (1) zone the factor = 5%

These two factors multiplied together equals to 1.25%. This added to 100% = 101.25%.

$$101.25\% * 180,000/MW = \$182,250/MW$$

SPP recommends approving \$ 182,250/MW.

SPP is willing to allow the net dependable capacity for the OG&E wind farm to be 10% of the nameplate of the farm, which would be the same as other Eligible Customer’s.

Based on \$ 182,250/MW * (10% * 120 MW) = 182,250/MW * 12MW = \$ 2,187,000.

This increases the Base Plan funding by \$ 747,000.

GSEC

1. Reservation time period is 30 years. $30 - 5 = 25$ years; $25 * 1-1/4 \% = 31.25\%$
2. Regional Zonal Benefit factor:

For the GSEC waiver request MW-MI analysis shows benefit to all fifteen (15) zones.

Based on all zones the factor = 100%

These two factors multiplied together equals to 31.25%. This added to 100% = 131.25%.

$$131.25\% * 180,000/MW = \$ 236,250/MW$$

SPP recommends approving \$ 236,250/MW.

Based on \$ 236,250/MW * 400 MW = \$94,500,000.

This increases the Base Plan funding by \$ 22,500,000.

This is the maximum Base Plan funding to be allowed. Based on the displacement calculations of the Spearville to Mooreland and Mooreland to Potter lines in accordance with Attachment J, Section VII.C. of the SPP Tariff, the allowed Base Plan funding may be less.

Refunds

In the event the OG&E service or the GSEC service is terminated prior to the end of the term of service indicated, refund of some or all of the Base Plan funding will be required.

In the event the OG&E net dependable capacity based on Criteria 12.1.5.3.g. is less than 10%, a refund will be required.

Economic Analysis

While SPP has not focused on the economic analysis in making its recommendation, we provide here the economic analysis of the SPP recommendation for your review and consideration.

OGE

OG&E Waiver

MW Mile Impact For Project and % Cost Allocation based on a 10MW Mile Positive impact cutoff per zone

Assume \$1,440,000 BPU project with annual carrying charge rate of 20.0%

ZONE	Load Ratio	Resident Load	Sum of Positive Impacts Only		Adjusted	MW-Mi	Total Rev Req
	Shares	Rev Req	MWMI Impact	% allocation	% allocation	Rev Req	
CLECO							
SWPA							
AEP	24.35%	\$23,142				\$0	\$23,142
GRDA	2.45%	\$2,328				\$0	\$2,328
OKGE	17.31%	\$16,451		100.0	100.0	\$192,960	\$209,411
WFEC	3.87%	\$3,678				\$0	\$3,678
SPS	13.52%	\$12,849				\$0	\$12,849
MIDW	0.84%	\$798				\$0	\$798
SUNF	1.20%	\$1,140				\$0	\$1,140
WESTAR	13.77%	\$13,087				\$0	\$13,087
WEPL	1.50%	\$1,426				\$0	\$1,426
MIPU	4.93%	\$4,685				\$0	\$4,685
KACP	11.16%	\$10,606				\$0	\$10,606
EMDE	3.23%	\$3,070				\$0	\$3,070
SPRM	1.88%	\$1,787				\$0	\$1,787
TOTAL	100.00%	\$95,050	0	100.00	100.00	\$192,960	\$288,010

Cut-Off Factor:	
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Note :

Spreadsheet is formatted for 7000 records - if model has more than 7000 records (lines and xfr), then need to increase formatting

Unhide all columns in all spreadsheets, copy formulas in BC,CC,NetPos,NetNeg from line 7000 to whatever is needed

Cut-Off Factor specifies the MW shift on a line in order for consideration in the calculation.

OG&E Waiver

MW-Mile Impact For Project and % Cost Allocation based on a 10MW Mile Positive impact cutoff per zone

Assume \$2,187,000 BPU project with annual carrying charge rate of 20.0%

ZONE	Load Ratio	Resident Load	Sum of Positive Impacts Only		Adjusted	MW-Mi	Total Rev Req
	Shares	Rev Req	MWMI Impact	% allocation	% allocation	Rev Req	
CLECO							
SWPA							
AEP	24.35%	\$35,147				\$0	\$35,147
GRDA	2.45%	\$3,536				\$0	\$3,536
OKGE	17.31%	\$24,986		100.0	100.0	\$293,058	\$318,044
WFEC	3.87%	\$5,586				\$0	\$5,586
SPS	13.52%	\$19,515				\$0	\$19,515
MIDW	0.84%	\$1,212				\$0	\$1,212
SUNF	1.20%	\$1,732				\$0	\$1,732
WESTAR	13.77%	\$19,876				\$0	\$19,876
WEPL	1.50%	\$2,165				\$0	\$2,165
MIPU	4.93%	\$7,116				\$0	\$7,116
KACP	11.16%	\$16,109				\$0	\$16,109
EMDE	3.23%	\$4,662				\$0	\$4,662
SPRM	1.88%	\$2,714				\$0	\$2,714
TOTAL	100.00%	\$144,356	0	100.00	100.00	\$293,058	\$437,414

Cut-Off Factor:

Note :
 Spreadsheet is formatted for 7000 records - if model has more than 7000 records (lines and xfr), then need to increase formatting
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 Cut-Off Factor specifies the MW shift on a line in order for consideration in the calculation.

GSEC

Spearville - Mooreland - TUCO 345kV

MW-Mile Impact For Project and % Cost Allocation based on a 10MW Mile Positive impact cutoff per zone

Assume \$72,000,000 BPU project with annual carrying charge rate of 20.0%

ZONE	Load Ratio Shares	Resident Load Rev Req	Sum of Positive Impacts Only		Adjusted % allocation	MW-Mi Rev Req	Total Rev Req
			MWMI Impact	% allocation			
CLECO			61	0.1			
SWPA			375	0.7			
AEP	24.35%	\$1,157,112	4,322	8.3	8.4	\$811,234	\$1,968,346
GRDA	2.45%	\$116,424	224	0.4	0.4	\$42,016	\$158,440
OKGE	17.31%	\$822,571	5,912	11.4	11.5	\$1,109,660	\$1,932,231
WFEC	3.87%	\$183,902	2,640	5.1	5.1	\$495,483	\$679,386
SPS	13.52%	\$642,470	30,445	58.7	59.2	\$5,713,983	\$6,356,453
MIDW	0.84%	\$39,917	71	0.1	0.1	\$13,376	\$53,293
SUNF	1.20%	\$57,024	505	1.0	1.0	\$94,803	\$151,827
WESTAR	13.77%	\$654,350	3,870	7.5	7.5	\$726,357	\$1,380,707
WEPL	1.50%	\$71,280	2,601	5.0	5.1	\$488,163	\$559,443
MIPU	4.93%	\$234,274	118	0.2	0.2	\$22,209	\$256,483
KACP	11.16%	\$530,323	497	1.0	1.0	\$93,241	\$623,564
EMDE	3.23%	\$153,490	130	0.3	0.3	\$24,384	\$177,874
SPRM	1.88%	\$89,338	70	0.1	0.1	\$13,091	\$102,428
TOTAL	100.00%	\$4,752,475	51,842	100.00	100.00	\$9,648,000	\$14,400,475

Cut-Off Factor:

Note :

Spreadsheet is formatted for 7000 records - if model has more than 7000 records (lines and xfr), then need to increase formatting

Unhide all columns in all spreadsheets, copy formulas in BC,CC,NetPos,NetNeg from line 7000 to whatever is needed

Cut-Off Factor specifies the MW shift on a line in order for consideration in the calculation.

Spearville - Mooreland - TUCO 345kV

MW Mile Impact For Project and % Cost Allocation based on a 10MW Mile Positive impact cutoff per zone

Assume \$94,500,000 BPU project with annual carrying charge rate of 20.0%

ZONE	Load Ratio Shares	Resident Load Rev Reqt	Sum of Positive Impacts Only		Adjusted % allocation	MW-Mi Rev Reqt	Total Rev Reqt
			MWMI Impact	% allocation			
CLECO			61	0.1			
SWPA			375	0.7			
AEP	24.35%	\$1,518,710	4,322	8.3	8.4	\$1,064,745	\$2,583,454
GRDA	2.45%	\$152,807	224	0.4	0.4	\$55,145	\$207,952
OKGE	17.31%	\$1,079,625	5,912	11.4	11.5	\$1,456,429	\$2,536,053
WFEC	3.87%	\$241,372	2,640	5.1	5.1	\$650,322	\$891,694
SPS	13.52%	\$843,242	30,445	58.7	59.2	\$7,499,602	\$8,342,845
MIDW	0.84%	\$52,391	71	0.1	0.1	\$17,556	\$69,947
SUNF	1.20%	\$74,844	505	1.0	1.0	\$124,428	\$199,272
WESTAR	13.77%	\$858,835	3,870	7.5	7.5	\$953,343	\$1,812,178
WEPL	1.50%	\$93,555	2,601	5.0	5.1	\$640,715	\$734,270
MIPU	4.93%	\$307,484	118	0.2	0.2	\$29,150	\$336,634
KACP	11.16%	\$696,049	497	1.0	1.0	\$122,379	\$818,428
EMDE	3.23%	\$201,455	130	0.3	0.3	\$32,004	\$233,459
SPRM	1.88%	\$117,256	70	0.1	0.1	\$17,182	\$134,437
TOTAL	100.00%	\$6,237,624	51,842	100.00	100.00	\$12,663,000	\$18,900,624

Cut-Off Factor:

Note :
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 Cut-Off Factor specifies the MW shift on a line in order for consideration in the calculation.

CAWG Recommendation to MOPC

The CAWG recommends to the MOPC that the OG&E, Transmission Service Request, reservation 1032973 designated as Centennial Wind Farm with a waiver amount recommended by the SPP staff of \$747,000 be approved.

The CAWG specifically does **not** adopt the assumptions and analysis specifics employed by SPP staff in reaching their conclusion to recommend the waiver amount of \$747,000. However; the CAWG did confirm through its own review and analysis the reasonableness of the amount recommended by the SPP staff.

**Southwest Power Pool
REGIONAL STATE COMMITTEE
BYLAWS**

Adopted: October 24, 2005

ARTICLE I

1. NAME. The organization shall be known as the Southwest Power Pool Regional State Committee ("SPP RSC"). The principal office of the SPP RSC shall be at such location, within the United States, as the SPP RSC Board of Directors shall from time to time establish. The SPP RSC may also maintain such branch offices and places of business as the SPP RSC Board of Directors may deem necessary or appropriate in the conduct of its business.
2. PURPOSE. The SPP RSC shall provide collective state regulatory agency input and participation in the Southwest Power Pool, Inc. ("SPP") and SPP's Board of Directors, committees, working groups and task forces, including any independent transmission system operator ("ISO") or regional transmission organization ("RTO") formed by the SPP. Such input and participation shall include but not be limited to: whether and to what extent participant funding will be used for transmission enhancements; whether license plate or postage stamp rates will be used for the regional access charge; determination of Financial Transmission Rights ("FTR") allocations where a locational price methodology is used; determination of the transition mechanism to be used to assure that existing firm customers receive FTRs equivalent to the customers' existing firm rights; determination of the approach for resource adequacy across the entire region; determination of whether transmission upgrades for remote resources will be included in the regional transmission planning process; and determination of the role of transmission owners in proposing transmission upgrades in the regional planning process.
3. Nothing in the formation or operation of the SPP RSC as a FERC recognized regional state committee is in any way intended to diminish existing state regulatory jurisdiction and authority. Each state regulatory agency expressly reserves the right to exercise all lawful means available to protect its existing jurisdiction and authority.

ARTICLE II – MEMBERSHIP

1. MEMBERSHIP. Membership shall be open to all official governmental entities that:
 - (a) Regulate the retail electricity or distribution rates of transmission-owning members or transmission-dependent utility members of the SPP; or
 - (b) Are the primary regulatory agency responsible for siting electric transmission facilities in states where there are transmission-owning members of the SPP or independent transmission companies that own or operate transmission facilities associated with the SPP.
2. ASSOCIATE MEMBERSHIP. Associate membership shall be open to all official governmental agencies that:
 - (a) Are involved with energy planning, and or environmental issues that relate to electric transmission; or

- (b) Are involved with consumer advocacy issues that relate to electric transmission;
or
- (c) To all other entities that are approved by the SPP RSC Board of Directors for associate member status.

ARTICLE III – ANNUAL MEETING

The Annual Meeting of the SPP RSC (Annual Meeting) shall be held each year in conjunction with the fall meeting of the SPP Board of Directors, and/or at such time and place as may be determined by the SPP RSC Board of Directors. Notice of the time, place, and purpose of the meeting, shall be provided by mail or electronic means to each Member and Associate Member of the SPP RSC not less than fifteen (15) calendar days prior to the meeting, except that the agenda may be amended up to three (3) calendar days prior to the meeting in accordance with Article XI. At the Annual Meeting, all member regulatory agencies may have a seat and voice. The business of the Annual Meeting will be conducted by vote of the SPP RSC Board of Directors as provided for in these Bylaws.

ARTICLE IV – BOARD OF DIRECTORS

1. POWERS, RESPONSIBILITIES AND ACCOUNTABILITIES. The corporate business and affairs of the SPP RSC shall be managed by the SPP RSC Board of Directors, except as may be otherwise provided for in these Bylaws and/or the articles of incorporation (Articles of Incorporation) adopted by the SPP RSC Board of Directors.

2. COMPOSITION. Each member regulatory agency, as defined in Article II.1 of these Bylaws, may designate one Commissioner to serve on the SPP RSC Board of Directors. In the case of member state regulatory agencies organized without commissioners, an official of similar level may be designated. When any such person ceases to be the duly authorized representative of that Member, he or she shall be replaced on the SPP RSC Board of Directors by another representative from his or her state regulatory agency. A member state regulatory agency may replace its Director by notifying the Secretary of the SPP RSC by mail, facsimile transmission and/or electronic mail at least one business day in advance of any meeting of the SPP RSC Board of Directors.

3. RESPONSIBILITIES. The SPP RSC Board of Directors shall elect the officers of the SPP RSC and determine the general policies and direction of the SPP RSC. The SPP RSC Board of Directors may amend the Articles of Incorporation and Bylaws, take all other action requiring membership vote, and conduct other business as delineated in Article IX.

4. REGULAR MEETINGS. Regular meetings of the SPP RSC Board of Directors shall be held at such time and place as may be determined by the SPP RSC Board of Directors, except that the SPP RSC Board of Directors shall meet no less than one time each calendar year, in addition to the Annual Meeting. Notice of the time, place and purpose of the meeting(s) shall be provided by mail, facsimile transmission and/or electronic means to each Member and Associate Member of the SPP RSC not less than

seven (7) calendar days prior to the meeting, except that the agenda may be amended up to three (3) calendar days prior to the meeting in accordance with Article XI. Public notice shall also be given at the same time that it is given to each Member and Associate Member of the SPP RSC in accordance with Article XI.

5. SPECIAL MEETINGS. The President may call a special meeting(s) of the SPP RSC Board of Directors. Notice of the time, place and purpose of the meeting(s) shall be provided by mail, facsimile transmission and/or electronic means to each Member and Associate Member of the SPP RSC not less than three (3) calendar days prior to the meeting(s).

6. QUORUM If a Director from each of a majority of the member state regulatory authorities is present (either in person, by authorized telephonic or electronic means, or by designated proxy), a quorum exists for the transaction of business at any meeting of the SPP RSC Board of Directors, but if less than such majority is present at a meeting, a majority of the members that are present may adjourn the meeting without further notice. The SPP RSC Directors present at a properly noticed meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum. A member state regulatory agency may allow a proxy from the same agency to participate as a substitute for its designated SPP RSC Director at a meeting(s) of the SPP RSC Board of Directors by notifying the Secretary of the SPP RSC as provided for in these Bylaws.

7. PROXY – A request of a member state regulatory agency for recognition by the SPP RSC Board of Directors of a proxy to participate in a meeting of the SPP RSC Board of Directors must be received by the Secretary of the SPP RSC at least one business day in advance of the meeting at which the proxy is to be exercised. Where prior written notice is not possible, the designating Director shall submit written confirmation of this proxy no later than ten (10) calendar days after the applicable Board meeting takes place. The person who is identified as exercising the proxy cannot be the person submitting the request for recognition of the proxy. Notices of proxies must be sent by mail, facsimile transmission and/or electronic mail to the Secretary of the SPP RSC and identify the date of the meeting of the SPP RSC Board of Directors for which the proxy is authorized and identify by name, and position at the member state regulatory agency, the person who is authorized to exercise the proxy. The Secretary of the SPP RSC must receive a new request for recognition of a proxy for each meeting of the SPP RSC Board of Directors at which the proxy will be sought to be recognized. The SPP RSC Board of Directors will not recognize, for more than one meeting at a time, a proxy request by a member state regulatory agency. The request for recognition of a proxy must not identify more than one person as being authorized to exercise the proxy.

8. VOTING PROCEDURES. Each SPP RSC Director present (either in person, by authorized telephonic or electronic means, or by representation of the member state regulatory agency by a properly designated proxy) shall be entitled to one equally weighted vote. However, if a state has more than one state regulatory agency that is a Member of the SPP RSC, voting rights shall be divided equally among the SPP RSC Directors from that state present and voting (equating to one total vote per state). Elections shall be by ballot in contested elections and may be by voice or other means in uncontested elections. A plurality of votes cast shall elect. Changes in the Bylaws

shall require a vote consistent with Article XII of this document. All other matters shall be determined by a majority of the SPP RSC Directors present and voting, unless otherwise provided by the laws of the state where the SPP RSC is incorporated or these Bylaws.

9. POSITIONS ON POLICY ISSUES. The SPP RSC Board of Directors will give direction to formation of issue statements, which will then be referred to member state regulatory agencies. A position approved by a majority of the SPP RSC Board of Directors may be issued as the SPP RSC's position with identification of the participating and non-participating member state regulatory agencies. Individual member state regulatory agencies retain all rights to object to, support, or otherwise comment on, issue statements of the SPP RSC, including the attachment of a minority report or dissenting opinion, provided it is submitted in a timely manner. The SPP RSC Board of Directors may authorize intervention in proceedings before federal regulatory agencies and in related judicial proceedings to express the SPP RSC's positions, and may retain legal counsel to represent the SPP RSC in such proceedings. Consistent with Article I, § 3 above, each individual state regulatory agency shall also retain all rights to intervene in and/or comment on such federal regulatory agency proceedings and/or related judicial proceedings.

ARTICLE V - OFFICERS

1. NUMBER AND TITLE. The officers of the SPP RSC shall be the President, Vice-President, Secretary, and Treasurer.

2. ELECTION, TERM, VACANCIES. The President, Vice-president, Secretary, and Treasurer shall be elected by the SPP RSC Board of Directors for a term of one year, or until their successors are elected. Officers shall be elected at the Annual Meeting to take office on the first day of January following the Annual Meeting at which elections are held. The SPP RSC Board of Directors may fill a vacancy among the officers other than the President to serve until the next scheduled election. In the case of a permanent vacancy in the office of the President, the Vice-President will succeed until the next scheduled election. The terms of the officers elected in 2004 shall be deemed partial terms. In the event of a vacancy or temporary inability to serve, the duties of the Secretary or Treasurer may be fulfilled by a designee of the SPP RSC Board of Directors.

3. GEOGRAPHIC BALANCE. The officers elected shall be SPP RSC Directors from different states.

4. DUTIES. The duties of the officers shall be as follows:

(a) The PRESIDENT shall be the principal officer of the SPP RSC and shall preside at the Annual Meeting and all meetings of the SPP RSC Board of Directors, shall be responsible for seeing that the lines of direction given by the SPP RSC Board of Directors are carried into effect – including the representation and presentation of all SPP RSC majority positions and minority reports and dissenting opinions of the member state regulatory authorities, and shall have such other powers and perform such other duties as may be assigned by the SPP RSC Board of Directors; including

but not limited to: serving as the SPP RSC's non-voting representative at the meetings of the SPP's Board of Directors, performing or delegating presentations/speeches on behalf of the SPP RSC, designating member state regulatory agency staff members proposed by the state regulatory agency to carry out daily functions and operations of the SPP RSC, assigning member state regulatory agency staff members proposed by the state regulatory agency to committees and work-groups created by the SPP RSC and requesting technical support from SPP as necessary. The President (or other officer serving as the RSC representative at meetings of the SPP Board of Directors) shall also be responsible for requesting recusal of a Director where a conflict of interest may arise and for clearly stating on all matters whether he/she is representing the position of the SPP RSC or solely his/her member state regulatory agency.

(b) In the temporary absence or disability of the President, the VICE-PRESIDENT shall preside at meetings of the SPP RSC Board of Directors and have such other powers and perform such other duties as performed by the President. The Vice-President shall also serve as the SPP RSC's non-voting representative at the meetings of the SPP's Board of Directors. He or she shall have such other powers and perform such other duties as performed by the President or as may be assigned by the SPP RSC Board of Directors.

(c) The SECRETARY shall be responsible for keeping a roll of the Members and seeing that notices of all meetings of the SPP RSC Board of Directors are issued and shall see that minutes of such meetings are kept. The Secretary shall be responsible for the custody of corporate books, records and files, shall exercise the powers and perform such other duties usually incident to the office of Secretary, and shall exercise such other powers and perform such other duties as may be assigned by the President or the SPP RSC Board of Directors.

(d) The TREASURER shall be responsible for monitoring the receipt and custody of all monies of the SPP RSC and for monitoring the disbursement thereof as authorized, for assuring that accurate accounts of monies received and disbursed are kept, for execution of contracts or other instruments authorized by the SPP RSC Board of Directors, and for overseeing the preparation and issuance of financial statements and reports. The Treasurer shall give a report of the SPP RSC's finances at the Annual Meeting. The Treasurer shall be an ex officio member of the finance committee, if such a committee shall be established by the SPP RSC Board of Directors, shall exercise the powers and perform such other duties usually incident to the office of Treasurer, and shall perform such other duties as may be assigned by the President or SPP RSC Board of Directors.

5. REMOVAL. An officer of the SPP RSC may be removed with or without cause by written vote of two-thirds of the total membership of the SPP RSC Board of Directors.

ARTICLE VI – MEMBER STATE REGULATORY AGENCY STAFF MEMBER PARTICIPATION

Member state regulatory agency staff members shall participate at the discretion of their respective member state regulatory agency, including but not limited to: attendance at

SPP RSC and SPP Board of Directors meetings in support of or in lieu of member state regulatory agency commissioners, attendance and active participation in assigned SPP committees, working groups and task forces (including providing summaries of meetings and reporting to the SPP RSC members and associate members), active representation of the majority positions and minority reports or dissenting opinions of the SPP RSC member state regulatory authorities, and attending and actively participating in assigned SPP RSC committees and work-groups created by the SPP RSC Board of Directors (including providing summaries of meetings and reporting to the SPP RSC members and associate members). Member state regulatory agency staff members must clearly indicate whether they are representing the SPP RSC or solely their member state regulatory agency.

ARTICLE VII - COMMITTEES

1. ESTABLISHED. The SPP RSC Board of Directors may establish SPP RSC committees and work-groups as it deems necessary and provide for their governance.
2. COMPOSITION AND APPOINTMENT. The President shall appoint members of the SPP RSC committees. Unless otherwise provided by the SPP RSC Board of Directors, a committee may elect its chair. Members and Associate Members may participate in the work of committees and work-groups that relate to matters within their jurisdiction.

ARTICLE VIII – MEMBERS AND ASSOCIATE MEMBERS NOT BOUND

No vote of, or resolution passed by, the SPP RSC Board of Directors has any binding effect upon any member state regulatory agency, or any associate member, in the exercise of that entity's powers.

ARTICLE IX - FISCAL RESPONSIBILITIES OF THE SPP RSC BOARD OF DIRECTORS

1. FISCAL YEAR. The SPP RSC Board of Directors shall establish the fiscal year of the SPP RSC.
2. FUNDING. Any funds shall be accepted or collected only as authorized by the SPP RSC Board of Directors.
3. DEPOSITORIES. All funds of the SPP RSC shall be deposited to the credit of the SPP RSC in fully insured accounts.
4. APPROVED SIGNATURES. Approvals for signatures necessary on contracts, checks, and orders for the payment, receipt, or deposit of money, and access to securities of the SPP RSC shall be provided by resolution of the SPP RSC Board of Directors. In all cases, two signatures shall be required and shall consist of either the SPP RSC President or Vice-President and one other officer and/or the Executive Director.

5. BONDING. All persons having access to or major responsibility for the handling of monies and securities of the SPP RSC shall be bonded as provided by resolution of the SPP RSC Board of Directors.

6. INDEMNIFICATION AND INSURANCE. Indemnification and Directors and Officers insurance shall be provided by resolution of the SPP RSC Board of Directors in accordance with the Articles of Incorporation and the laws of the state where the SPP RSC is incorporated.

7. BUDGET. The annual budget of estimated income and expenditures shall be prepared for the fiscal year and approved by the SPP RSC Board of Directors in conjunction with the Annual Meeting. No expenses shall be incurred in excess of approved budget levels without prior approval of the SPP RSC Board of Directors.

8. CONTRACTS AND DEBTS. Contracts may be entered into or debts incurred only as directed by resolution of the SPP RSC Board of Directors.

9. AUDITS. A certified public accountant or other independent public accountant shall be retained by the SPP RSC Board of Directors to make an annual examination of the financial accounts of the SPP RSC. A report of this examination shall be submitted to the SPP RSC Board of Directors and made available to the general membership of the SPP RSC and the public.

10. LEGAL COUNSEL. Independent legal counsel may, if deemed necessary and appropriate, be retained by the SPP RSC Board of Directors to: (a) insure compliance with federal and state requirements; (b) review and advise on any and all legal instruments the SPP RSC Board of Directors executes, such as leases, contracts, property purchases, or sales; (c) for interventions before federal regulatory agencies and related judicial proceedings; or (d) for any other matters as determined necessary by the SPP RSC Board of Directors – including those matters that are deemed to be administrative in nature.

11. PROPERTY. Title to all property shall be held in the name of the SPP RSC, unless otherwise approved by the SPP RSC Board of Directors; or otherwise required by law.

12. INVESTMENT. The Treasurer shall invest the funds of the SPP RSC in accordance with the direction of the SPP RSC Board of Directors or any committee of the SPP RSC Board of Directors appointed for such purpose.

ARTICLE X - PARLIAMENTARY AUTHORITY

All meetings shall be conducted in a manner that will allow the fullest possible participation by all members. In the event of a dispute, Robert's Rules of Order, newly revised, shall be the parliamentary authority governing the meetings of the SPP RSC Board of Directors and all committees, subject to the laws of the state where the SPP RSC is incorporated, the Articles of Incorporation, these Bylaws, and any special rules of order adopted by the SPP RSC.

ARTICLE XI - OPEN MEETINGS

The Annual Meeting and all meetings of the SPP RSC Board of Directors and subordinate committees and work-groups shall be open meetings, except that discussion of commercially sensitive, legal, and personnel issues may be conducted in closed session. For the purposes of these Bylaws, open meeting means:

- (a) Notice of the time, place, and purpose of the meeting, as provided in Articles III and IV, shall be made available to the public, through printed or electronic means, provided however, that the agenda for any annual, regular, or special meeting may be amended up to three (3) calendar days prior to the meeting date, as long as the amendment does not involve a change to the Bylaws or otherwise affect the substantive rights of Members.
- (b) Minutes of the SPP RSC Board of Directors and subordinate committee meetings shall be made available to the public, through printed or electronic means, as soon as practical.
- (c) The public may attend all open meetings of the SPP RSC.
- (d) The SPP RSC Board of Directors may provide for participation by telephone or electronic means.

ARTICLE XII- AMENDMENTS

Except as otherwise stated herein, these Bylaws may be amended by a two-thirds vote of a quorum at the Annual Meeting and any regular meeting of the SPP RSC Board of Directors, provided that the proposed amendment(s) must have been included in the notice of the meeting in which such changes were to be considered.

Exceptions to two-thirds voting requirement: Any amendment(s) to Article I, § 3; Article IV, § 9 or Article VIII shall require the unanimous vote of the entire Board of Directors.

ARTICLE XIII- EXECUTIVE DIRECTOR

1. EMPLOYMENT. The SPP RSC Board of Directors may select an Executive Director. Where an Executive Director is hired, the SPP RSC Board of Directors shall determine the terms and conditions of the employment of the Executive Director. Thereafter, the Executive Director's employment may be terminated by a majority of all serving SPP RSC Directors.

2. RESPONSIBILITIES. If deemed necessary and appropriate, where an Executive Director is hired, the Executive Director shall be the chief executive of the SPP RSC under the supervision and day-to-day policy guidance of the President of the SPP RSC Board of Directors. The Executive Director shall be responsible for providing advice and assistance to the SPP RSC Board of Directors, the President and other officers, and any subordinate committees and work-groups; and shall be responsible for administering the operations of the SPP RSC. The Executive Director shall have such other powers and perform such other duties as may be provided by the SPP RSC Board

of Directors. The Executive Director shall be an ex officio non-voting member of the SPP RSC Board of Directors.

Travel Policy

The Southwest Power Pool Regional State Committee (“RSC”) will reimburse RSC members (and their delegates assigned to specific task forces and working groups) and RSC associate members (hereinafter severally and jointly referred to as “Member(s)”) for all fair and reasonable expenditures incurred by Members when conducting RSC business. It is intended that Members should neither lose nor gain money as a result of reimbursement.

1. Travel expenses must be submitted on the RSC expense reimbursement form within 30 days after the conclusion of the travel. Receipts are required for all expenses.
2. The RSC expense reimbursement form must be signed by Member seeking reimbursement and in the case of an assigned delegate, by the individual state Commissioner assigned to the RSC.
3. While traveling and away from home, Members are expected to use good judgment when incurring expenses for lodging, meals, transportation, etc. RSC will reimburse business related mileage at the rate approved by the IRS. Reimbursement will be for mileage claimed due to travel to business location and return.
4. Members are responsible for making their own arrangements for transportation, lodging and car rentals. All accommodations should be purchased as far in advance as possible to obtain available discount fares/rates. All air travel is to be booked at the lowest accommodating fare.
5. Lodging reservations should be made at mid-priced establishments, when available. If a Member is attending a meeting or function being held at a specific facility, then reservations may be made at that facility.
6. The RSC will not accommodate advances for travel expenses; the RSC will only reimburse expenses after the fact with supporting documentation and approval as specified in this policy.
7. If a spouse or family member accompanies a Member on a business trip for non-business reasons, the family member’s travel expenses are not reimbursable.

Travel Guidelines

These numbers are provided as guidelines and are based on historical averages. Members are expected to use their best judgment while traveling.

Price Guidelines:

1. Airfare - \$500 roundtrip within the SPP footprint
2. Hotel - \$130/night
3. Meals - \$45/ day
4. Car Rental - \$70/day
5. Parking - \$10/day
6. Tips & Gratuities – 15% tip for meals, 10% tip for cab fare, \$1 per bag for baggage handling

Expense Reimbursement Policy

This policy is intended to identify reasonable, necessary and customary business expenses, which are eligible for reimbursement. Southwest Power Pool Regional State Committee (“RSC”) participants eligible for reimbursement include RSC members (and their delegates assigned to specific task forces and working groups) and RSC associate members (hereinafter severally and jointly referred to as “Member(s)”).

Business Mileage – Members will be reimbursed for all mileage incurred while using a personal vehicle for business. The Member will be reimbursed at the standard IRS mileage rate.

Personal Auto Use on Company Business – If a Member requests use of a personal vehicle in lieu of air travel, reimbursement will be made at the approved reimbursement rate for the most direct mileage to and from the business destination unless round trip air travel is less expensive. When this occurs, the round trip air travel cost will be reimbursed instead.

Mileage will be reimbursed at the then current IRS mileage rate. This expense is to be turned in on an expense account (within 30 days) with the number of miles and the purpose of the trip.

Rental Cars, Taxis, Bus Fares, tolls, etc. – Reimbursement will be made for transportation while on RSC business, including transportation to and from airports and transportation to and from local businesses. Members are expected to use cost effective methods. The standard rental automobile will be a mid-size sedan.

RSC Meals – Members will be reimbursed for meals under the following circumstances:

- When out of town on business, the reasonable costs of the Member’s meals will be reimbursed.
- Business meals will be reimbursed when business is discussed and the Member documents the business purpose and who attended.

Lodging – Members will be reimbursed for lodging expenses incurred while on RSC business.

Meetings - The following are guidelines for a meeting the RSC might incur.

1. Lunch – plan for \$25/ person
2. Continental Breakfast – plan for \$10/person
3. Afternoon Break – plan for \$150/total
4. Beverages – plan for \$12/person
5. Meeting Room (<20 people) - \$250/day
6. Meeting Room (>20 people) - \$650/day
7. Supplies (<20 people) - \$350/day
8. Supplies (>20 people) - \$700/day
9. A/V Equipment
10. Conference Phones
11. Internet Access

12. Teleconference : 25 ports/2 hr. meeting

Receipts are required on all expenses.

Reimbursement will be approved per this policy. Periodically, reimbursements will be reviewed by the RSC officers for compliance with this policy.