

**Southwest Power Pool
CORPORATE GOVERNANCE COMMITTEE MEETING**

May 10, 2007

Colcord Hotel, Oklahoma City, OK

• M I N U T E S •

Agenda Item 1 – Administrative Items

Chair Nick Brown called the meeting to order at 8:00 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).

Agenda Item 2 – Regional Entity Trustee Interviews

The committee interviewed candidates for the three Regional Entity Trustee positions. Candidates had been nominated by Members and staff. Following interviews, the Committee determined to nominate the following to the Membership at a special meeting on June 21:

- David Christiano
- Larry Grundmann
- John Meyer

The committee focused on presenting three nominees that together produced a group with balanced and complimentary skills, and who would contribute the necessary time and energy to serving SPP members and customers.

Agenda Item 3 – Regional Entity Trustees Fees

The committee discussed compensation for the Regional Entity Trustees. The committee will recommend the following schedule to the Membership:

- Annual Retainer: \$15,000
- Per Meeting Fee: \$2,500 (chair); \$2,000 (other)
- Observer Fee for other meetings: \$1250

The committee will recommend payment of the full retainer fee for 2007, reflecting the significant start up work that will be required.

Following the election, a random drawing will establish the three-year staggered terms. For continuity, the committee will recommend that the initial term ends in December 2008 (rather than 2007).

Agenda Item 4 – Markets and Operations Policy Committee/Board of Directors Representative Fee

The Directors are paid an observer fee of \$1250 for voluntary attendance at meetings. The Board of Directors cannot hold a voting seat on the Markets and Operations Policy Committee (MOPC), however they have assigned a Director to attend all MOPC meetings on their behalf. The Corporate Governance Committee will recommend to the Membership that the Director assigned to the MOPC receive the regular meeting fee of \$2,000 rather than the observer fee.

Agenda Item 5 – Vacancies

Tom Grennan has resigned from KEPCo, creating vacancies on the Members Committee and the Strategic Planning Committee (SPC), and Walt Yeager has resigned from the Members Committee. Stacy Duckett will provide notice to the appropriate Membership sectors to determine interest in serving on the Members Committee. The Corporate Governance Committee will address these vacancies at a meeting in June.

The committee appointed Les Evans (KEPCo) to fill the vacancy on the SPC.

Adjournment

Nick Brown thanked everyone for participating and adjourned the meeting at 2:55 p.m.

Respectfully Submitted,

Stacy Duckett, Secretary



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• A G E N D A •

May 9

6:00	Cocktails
6:30	Dinner

May 10

8:00	Convene/Continental Breakfast
8:30	Interview 1
9:45	Interview 2
11:00	Interview 3
12:00	Lunch
1:00	Interview 4
2:00	Discussion *
3:30	Adjourn

* Time permitting, the committee will also discuss the Bylaws update resulting from the February meeting.

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

9.7 Regional Entity Trustees

9.7.1 Functions and Duties of the Regional Entity Trustees

The Regional Entity Trustees shall at all times act in the best interests of SPP's role as the Regional Entity in its management, control, and direction of the general business of the Regional Entity functions. In reaching any decision and in considering the recommendations of any appropriate entity, the Regional Entity Trustees shall abide by the principles in these Bylaws.

Its duties shall include, but are not limited to the following:

- (a) Monitor all Registered Entities in the SPP footprint for compliance with ERO/FERC requirements, including auditing and issuance of official findings.
- (b) Administer SPP's Compliance Enforcement Program.
- (c) Coordinate and manage third party audits to confirm that SPP is conforming to ERO policies and standards;
- (d) Impose penalties as prescribed and approved by ERO/FERC.
- (e) Regional Entity staff administration.
- (f) Regional Entity budget decisions.
- (g) Track and review Regional Standards from MOPC for submission to the ERO and FERC for approval and implementation.
- (h) Complete a self-assessment annually to determine how effectively the Regional Entity Trustees are meeting their responsibilities; and
- (i) Provide an annual report to the Board of Directors regarding the effectiveness of the Regional Entity function and processes.

9.7.2 Composition and Qualifications

9.7.2.1 Composition

The Regional Entity Trustees shall consist of three (3) persons. The trustees shall be independent of the SPP Board of Directors, any Member, industry stakeholder, or SPP organizational group. Regional Entity Trustees do not serve as members of the SPP Board of Directors. A trustee shall not be limited in the number of terms he/she may serve.

9.7.2.2 Qualifications

Regional Entity Trustees shall have relevant senior management expertise and experience in the reliable operation of the bulk electric transmission system in North America.

9.7.2.3 Conflicts of Interest

Regional Entity Trustees 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, a customer of services provided by SPP, or a Registered Entity in the SPP footprint. Trustees 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 trustee does not control the purchase or sale of such securities. Participation in a pension plan of a Member, customer, or Registered Entity in the SPP footprint shall not be deemed to be a direct financial benefit if the Member's, customer's, or Registered Entity's financial performance has no material effect on such pension plan.

9.7.3 Term and Election

Regional Entity Trustees shall be elected at the meeting of Members to a three-year term commencing upon election and continuing until his/her duly elected successor takes office. Initial staggering of terms will be decided by lottery with one trustee's term to expire in the first year, one in the second year, and one in the third year. The election process shall be as follows:

- (a) At least three months prior to the meeting of Members when election of a new trustee is required, the Corporate Governance Committee shall commence the process to nominate persons for the position to be elected;
- (b) At least one month prior to the meeting of Members, the Corporate Governance Committee shall notify the President in writing of the person it nominates for election as a trustee, 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 trustees only, Members with Affiliate Relationships shall be considered a single Member;

**SPP Regional Entity Trustees
Proposed Bylaws provisions
For reference/Corporate Governance Committee
Feb 28, 2007**

- (d) At the meeting of Members, any additional nominee(s) 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 trustees 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 trustees to be elected. A Member may not cumulate votes. The candidate(s) receiving the highest percent of the average of approving vote ratios within each Membership sector will fill vacancy(ies).

9.7.4 Resignation and Removal of Regional Entity Trustees

Any Regional Entity Trustee may resign by written notice to the President noting the effective date of the resignation. The Membership may remove a trustee 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 trustee who is the subject of removal proceedings shall be given fifteen days to respond to the Member petition in writing to the President.

9.7.5 Vacancies

If a vacancy occurs, the Corporate Governance Committee will appoint an interim trustee to serve until a replacement trustee 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 trustee shall take office immediately following the election.

9.7.6 Meetings and Notice of Meetings

The Regional Entity Trustees will meet coincident in time and location as the regularly scheduled SPP Board of Directors meetings, and additionally upon the call of the chair or upon concurrence of at least two trustees. Except as otherwise provided in these Bylaws, all meetings will be open to any interested party. At least fifteen days' written notice shall be given by the

SPP Regional Entity Trustees
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chair to each trustee, the Board of Directors, and the Members Committee of the date, time, place and purpose of a meeting, unless such notice is waived by the trustees. Telephone conference meetings may be called as appropriate by the chair with at least one-day prior notice. The chair shall grant any party's request to address the Regional Entity Trustees.

9.7.7 Chair

The Regional Entity Trustees shall elect from its membership a chair for a two-year term commencing upon election and continuing until the chair's duly elected successor takes office or until the chair's term as a trustee expires without re-election. The panel may elect to rotate the chair to the senior member of the panel when the initial, or subsequent, chair's term expires.

9.7.8 Quorum and Voting

Two trustees shall constitute a quorum of the Regional Entity Trustees necessary for a binding vote. Decisions of the Regional Entity Trustees require two affirmative votes. Trustees must be present at a meeting to vote; no votes by proxy are permitted. All Regional Entity Trustee decisions regarding the Regional Entity are final except as subject to oversight by the ERO and FERC.

9.7.9 Compensation of Regional Entity Trustees

Regional Entity Trustees shall receive compensation as recommended by the Human Resources Committee, and submitted for approval as part of the ERO budget process. Trustees shall be reimbursed for actual expenses reasonably incurred or accrued in the performance of their duties.

9.7.10 Executive Session

Executive sessions (open only to Trustees and parties invited by the chair of the Regional Entity Trustees) shall be held as necessary upon agreement of the Regional Entity Trustees to safeguard confidentiality of sensitive information regarding employee, financial or legal matters, or confidential information related to compliance matters.

David J. Christiano, P.E.

2511 E. Grand

Springfield, Missouri 65804

dave.christiano@sbcglobal.net

home: 417-887-6235 cell: 417-234-3754

Monday, April 30, 2007

Traits

Creative, resourceful, intelligent, caring. Intimate knowledge of utility systems from source to sink. A communicator, action taker, teacher.

Pre-retirement activities

B.S.E.E. - Clarkson College (Potsdam, New York) 1971

1971-1978 - Consolidated Edison Company of New York

Senior Engineer, transmission and inter-utility planning; worked extensively on the analysis of the 1977 New York City Blackout.

1978-2006 - City Utilities of Springfield, Missouri (CU)

Various titles including Manager of Electric Systems Control and Director of System Planning for Electric, Gas, and Water Systems.

Conducted studies and published Master Plans for the City Utilities Electric Transmission System, the Electric Distribution System, the Natural Gas Transmission System, and the Water System. Responsible for Forecasting; Resource, Transmission, and Inter-utility Planning; and operation of the Electric System Control Center. Registered Professional Engineer in Missouri.

Authored numerous technical papers and articles in the water and electrical industry and been a speaker on many occasions; (and a winner of the Dr. Warren Kramer award from the Missouri Section of the American Water Works Association for best technical paper). A prior Chairman of the American Public Power Association System Planning Committee. Member – DOE National Defense Executive Reserve. Former member Local Emergency Planning Committee.

Southwest Power Pool Activities

Positions:

Member - Board of Directors

Chairman - System Interruption Assessment Committee

Chairman - Compliance Committee (SPP Criteria/NERC Standards)

Chairman - Engineering & Operating Committee

Co-chair - RTO Task Force

Member - Market Operations and Planning Committee

Member - Members Committee (similar to MISO Stakeholder's Committee)

Member - Corporate Governance Committee

Member - Strategic Planning Committee

NERC Activities

Former member of the NERC Engineering Committee (representing SPP) and the NERC Operating Committee (representing TDUs). Served on the Standards & Measurement Task Force and Standards & Compliance Task Force. CU representative for NERC Standards Development (TDU sector) and member of virtually all ballot pools.

Post-Retirement Activities/Personal Interests

Avid greenhouse grower of Bromeliads (epiphytic plants of the Americas) and other tropicals, bicyclist (average 2,000 miles/year), sports car driver (Porsche 914-6) and ralliest, amateur photographer, PC guru (and gamer) and webmaster for several sites.¹ Travel, especially Europe and the Caribbean. With my wife of 35 years, an avid amateur chef. Music (mostly classical/opera) and multimedia (home theater). Four children including one M.D., one M.B.A., and two undergraduate seniors. More details on my family web site. (See footnote.)

Springfield Regional Opera - President of the Board of Directors (former)
Ozark Chapter, Missouri Society of Professional Engineers - Board of Directors (former)
Southwest Missouri Amateur Radio Club – President (former)
Multiple Sclerosis Society – MS-150 Bike Tour Planning Committee

Fulfilling my *Life List* with my dear wife
Watching my children grow
Limited and interesting/challenging professional activities
 Technical Training (System Planning/System Operations)

My Personal Heroes

Thomas Edison – for tenacity
Leonardo Da Vinci – for brilliance
Winston Churchill – for leadership

¹ geocities.com/ne0b/ (family site) – springbike.org (local bicycling club)

LAWRENCE (LARRY) C. GRUNDMANN, JR

6375 Woodman Drive, Oroville, CA 95966

Phone: 530-589-9984, Cell: 530-680-7121

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Proven leader with extensive business planning and project development accomplishments. Successfully directed business development activities for major independent power companies. Started-up and provided direction to energy production, fuels procurement, and diversified business venture subsidiaries of one of the nation's largest utility systems. Strengths:

- Strategic planning and decision-making
- Conceptualization, organization and start-up of new operations and ventures
- Virtually every phase of fossil fuels production, transportation and utilization
- Business risks evaluation, including economic and financial analysis
- Energy market analysis
- Legislative and regulatory analysis and policy formulation
- Litigation and rate case strategy development and support

MAJOR ACCOMPLISHMENTS

Energy market analysis, planning and business risk evaluation

- Acquired General Partner ownership position in a foundering project and as Development Manager turned it around. Completely restructured and successfully closed non-recourse financing on the \$275 million project within 21 months. It was refinanced with investment grade ratings while still under construction – then an industry first for a solid fueled project.
- Analyzed the changing competitive U.S. generating market. Identified and implemented responsive acquisition strategies and “redevelopment” or disposal strategies to create added value from existing facilities.
- Developed innovative financing alternatives for generating unit fuel conversions, cogeneration and independent power producer projects. Provided options under the company's cash constrained condition or off-balance sheet financing objectives.
- As an independent consultant on behalf of PacifiCorp and as company witness for system operating utilities developed and presented expert testimony. Successfully defended positions in cross examination in multiple rate cases before five different state regulatory commissions.

Team Leadership

- Having established a successful track record based on understanding of project drivers and proposal evaluation criteria, organized a consortium of five (5) multi-national corporations in developing the winning bid for an 1800 MW power plant and LNG receiving facility against formidable international competition.
- Directed a team in planning and acquiring \$100 million lease-financed integrated oil storage and delivery facilities and waterborne transportation equipment. Resulted in the utility

system having the capabilities to readily convert 8000 MW to fuel oil firing when its natural gas supplies were cut off.

- Guided executive fossil fuel decision for the entire Middle South Electric System, resulting in highly reliable, lower cost operations during highly turbulent energy market period.
- Repeatedly chosen by company, industry groups, and professional societies to represent them in regulatory, legislative, and policy-making forums, including: state legislative committees; congressional staff and committees; cabinet-level offices (DOT, DOE, OTA, etc.); and industry and professional conferences and committees.

Start-up of new operations/ventures

- Developed business plans and entry strategies for a large international energy producer to enter the “downstream” power business in several Asian countries. Through successful bidding and acquisitions, the company added several thousand MW’s and an LNG terminal to its development and operating portfolio
- Established and staffed “satellite” office, for independent power developer, created and implemented business plans that created backlog of large power plant prospects in the U.S. and Europe under adverse market conditions.
- Staffed and directed key functions of new diversified fuels procurement and production subsidiary. Operational reviews and PSC audits cited its high reliability and documented fuel cost savings of more than \$600 million during the energy crunch of the 70’s and early 80’s.
- Started-up the utility system’s first diversification subsidiary as a creative business venture and developed focused business plans that were successfully implemented and profitable.

PROFESSIONAL HISTORY

<p>UNOCAL CORPORATION One of the world’s largest independent exploration and production companies. <i>Senior Advisor - Power Development</i></p>	<p>1996 - 2002</p>
<p>EDISON MISSION ENERGY A world leader in the independent power markets. <i>Director, Business Development – Americas</i></p>	<p>1995 - 1996</p>
<p>AHLSTROM DEVELOPMENT CORPORATION (formerly Pyropower) A major player in the independent power markets, focusing on lower-quality fuels for use by the company’s clean burning technology. <i>Director, Business Development - U.S. & Europe</i> <i>General Manager, Project Development</i></p>	<p>1989 - 1995 1992 - 1995 1989 - 1992</p>
<p>ENTERGY CORPORATION (System Fuels, Inc.) The fuels procurement subsidiary for the utility operating companies. <i>Vice President</i> <i>Vice President Engineering and Coal Operations</i> <i>Vice President Engineering</i> <i>Engineering Manager</i></p>	<p>1961 – 1989 1987 - 1989 1980 - 1984 1977 - 1980 1973 - 1977</p>

ELECTEC, INC. **1984 – 1987**
 Entergy's diversification subsidiary created in 1984.
Vice President and General Manager

NEW ORLEANS PUBLIC SERVICE, INC. **1961 - 1968**
 One of Entergy's major system operating companies.
System Planning Engineer *1968 - 1973*
Mechanical Engineer *1961 - 1968*

EDUCATION/TRAINING

Postgraduate courses in Business, Economics, Finance and Management
 Louisiana State University, Baton Rouge, LA

B.S. in Mechanical Engineering
 Tulane University, New Orleans, LA.

Public Utility Management Course
 Southeastern Electric Exchange

REGISTRATIONS

Registered Professional Engineer
 State of Louisiana

RELATED EXPERIENCE

- Twice appointed by Energy Secretary, Hazel R. O'Leary, to serve on the National Coal Council, a quasi-government advisory agency to the Department of Energy.
- Achieved top leadership positions in more than 10 professional/industry organizations, including:
 - National Independent Energy Producers and Electric Generation Association
 - Electric Power Research Institute Advisory Structure
 - Edison Electric Institute Policy Committees
 - Local Chapters and National Conference of Professional, Technical, and Civic Societies
- Consistently appointed to serve on or lead system-wide strategic and organizational planning task forces.
- Frequently directed and/or implemented company's industry and governmental relations activities.

C V

Lawrence C. Grundmann, Jr.

Mr. Grundmann has an extensive energy and electric power background with broad business planning and project development accomplishments. In over 25 years with one of the United States' largest utility systems, he managed projects in virtually every phase of fuel supply, electric generation, transmission and distribution. He served with the Utility System's planning committee during the period of its expansion to the majority of its current generation and transmission facilities. He also started-up and provided direction to energy production, fuels procurement and diversified business venture subsidiaries of the System, serving as an executive officer of the latter two.

Entering the independent power business in 1985, he developed and implemented business plans that created a portfolio of large power plant prospects in the US and later certain European markets. During this time he was also personally the development manager for two projects that reached successful closure. One involved the acquisition of a General Partnership in a foundering project, which he turned around and completely, restructured, reaching non-recourse, financial closure on the \$275 million project in just 21 months.

In the last seven years before retiring, he guided Unocal Corporation's power development efforts initially in India, and later additional power development teams in China, Indonesia and Thailand. He led a number of initiative and proposal efforts with the result that the company brought several thousand MW's, including an LNG terminal, into various stages of development with partners in these countries. His experience includes project evaluation and asset acquisition and divestiture. In his later energy project advisory role, he was frequently asked to counsel policymakers in these emerging economies on privatization and regulatory principles as they sought to divest state owned entities and promote competitive energy environments.

He has been frequently chosen by company, industry groups and professional organizations to represent them in regulatory and policy-making forums. He served two terms on the National Coal Council, a quasi-government advisory panel to the US Department of Energy, to which he was appointed by the Secretary of Energy in recognition of his broad based knowledge of energy production, transportation and utilization. Earlier in his career, he also served on policy and research advisory boards of the Electric Power Research Institute, one of the US' leading power research organizations.

In 2003 he and his wife, Kathleen, moved to Lake Oroville, CA, where he continues to serve in several civic and professional capacities, including County Water Commissioner and as representative of a regional citizens group negotiating recreational mitigation facilities with the California Department of Water Resources pursuant to its FERC relicensing process for the 650 MW Lake Oroville Dam.

Professional Biography of Frederick John Meyer

Frederick John Meyer is the Vice President of Regulatory Affairs for Reliant Energy. He is responsible for developing and communicating policies concerning RTO and wholesale market structure at FERC and involved states. In addition, he is responsible for policy statements in electric energy filings at FERC. Prior to his involvement in regulatory policies, he was Vice President of Commercial Development. In this capacity, he led efforts to bid on existing generation auctions around the United States, including the purchase of 3,800 MW in California and 600 MW in Florida. Before moving to the Wholesale Energy Group in March 1997, Mr. Meyer was the General Manager of Transmission and Substation Operations and Engineering for Houston Lighting & Power Company and was responsible for the engineering and operations activities associated with the HL&P transmission electric power system. He holds a Bachelor of Science degree and a Master of Science degree in Electrical Engineering and has thirty-eight years of experience in the utility industry. He is a Registered Professional Engineer in the State of Texas.

Mr. Meyer is a former member of the Technical Advisory Committee of the Electric Reliability Council of Texas (ERCOT) and, in 2003, he served on the ERCOT Board. He was a member of the NERC Stakeholder Committee until it dissolved in 2006. He has worked internationally in the electric power industry in Argentina, Brazil and Peru.

Mr. Meyer was the head of the working group requested by the Texas Public Utility Commission (PUCT) that provided the agreement for the ERCOT ISO. This agreement was unanimously approved by the PUCT commissioners on August 21, 1996, marking Texas as the first state with an approved ISO structure. Mr. Meyer led the stakeholder group in ERCOT, which formulated the policy issues necessary to implement a retail ISO in ERCOT by January 1, 2002. The policy issues were expressed in the ERCOT Protocols approved by the Public Utility Commission of Texas in April 2001.

Mr. Meyer has also served on the PJM Members Committee, MISO Advisory Committee, and is currently on the Reliability Policy Issues Committee of WECC. He will retire from Reliant Energy by July 1, 2007.

In January of 2004, Mr. Marschewski retired as President of Southwest Power Pool, Inc (SPP) completing nearly 40 years of service in the electric utility industry. He joined SPP in 1972, served in a number of management positions in the organization, and was named President and member of the Board of Directors in January 1994. John began his electric utility career with Arkansas Power & Light Company (now Entergy) in 1965, serving in System Planning before joining SPP.

Mr. Marschewski served SPP during a period of significant transition in the electric utility industry and helped guide SPP from a regional reliability organization with a staff of 14 persons in 1989 to a multi-functional organization in 2004 with a staff of 125 skilled professionals whose major responsibilities were to provide regional bulk-power security and transmission tariff administration across all or parts of 8 states in the south central part of the United States. Over the five years prior to his retirement he worked closely with state and federal regulatory officials, as well as senior management executives of the various diversified membership of SPP, in laying the groundwork for SPP becoming in November 2004 a federally recognized regional transmission organization.

John has industry and professional affiliations with IEEE, the Arkansas Society of Professional Engineers, the Arkansas Academy of Electrical Engineers, and the National Society of Professional Engineers. John is a registered professional engineer in the State of Arkansas and a retired major from the Arkansas National Guard having served in various command positions spanning a 20 year career.

Mr. Marschewski holds bachelors and masters' degrees in Electrical Engineering from the University of Arkansas and a master's degree in Pastoral Ministry from Loyola University of New Orleans. He is also an ordained a deacon in the Roman Catholic Church and was named as "Minister to Deacons" for the Diocese of Little Rock (State of Arkansas) in January 2005. He is a husband of nearly 42 years, the father of three children, and "Papa" to five beautiful and energetic grandchildren.

John Marschewski, 9 Arles Road, Little Rock, Arkansas 72223
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Gerald (Gerry) Burrows

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Objective A leadership role in ensuring the success of SPP's Regional Entity

Highlights

Directed the planning and operation of the power transmission system to provide safe, economical, and reliable service to KCPL customers.

Took a leadership role in SPP and have been chairperson of various committees, subcommittees, and task forces. I have promoted changes within SPP over the years including the implementation of the Regional Tariff and its movement to a RTO, establishment of the SPP Operating Center, and was one of the initial promoters of the SPP Operating Reserve Sharing program.

Took a leadership role in NERC and have held various positions within the NERC organization. I served on the NERC Operating Committee as a SPP and an Investor Owned Utility Representative. I was on the group that defined the NERC Functional Model and Entities and was chairperson of SAR and Standards Drafting Teams.

I was active in promoting the changing culture at KCPL and establishing career paths for engineers and technical professions. The company implemented a different management compensation program resulting from recommendations of the compensation committee I was on.

I promoted changes at KCPL for the company to be among the leaders of the changes that was taking place the industry beginning with the FERC Pro Forma Tariff and SPP's Regional Tariff and continuing today.

Experience

Manager Transmission Services

1996 to 2006, Kansas City Power & Light

Directed transmission operation, transmission planning, and provided real-time computer networks and applications for the company's operating entities. I was responsible for the overall reliability and planning of the bulk power transmission system and administration of KCPL's open access transmission tariff. I represented KCPL on various SPP groups. I recommended positions KCPL should take and its response to the changing industry regarding transmission issues.

Manager System Control Center

987 to 1996, Kansas City Power & Light

Responsible for the economic dispatch and commitment of the company's generating resources, transmission operations, transmission planning, and the reliability of the bulk power system. I was responsible for revenues from the sales and purchases of capacity and energy from other utilities. My group was responsible for working with KCPL's largest customers for their electric service and the administration of interruptible contracts.

Engineer, Supervisor, and Manager positions

1971 to 1987, Kansas City Power & Light

Engineer in System Planning and Supervisory and Manager positions in Power Dispatching

Education

University of Mo - Rolla Rolla, Mo.
B.S., Electrical Engineering, 1970
University of Mo - Columbia Columbia, Mo.
M.S., Electrical Engineering, 1979

Awards

Eagle Scout with gold palm
Technology Champion Award - EPRI 1999
Resolution from NERC for service 2005
Resolution from SPP for service 2006

References

References are available on request.

For Discussion Purposes Only
SPP Corporate Governance Committee
~~February 28~~ May 10, 2007

Southwest Power Pool, Inc.

B Y L A W S

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

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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.

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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.

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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.

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.

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.

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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.

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 representation will be appointed by the Board of Directors, 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 an ad hoc Task Force 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. Criteria for serving on an Organizational Group will be determined in the Group's scope. Except for any full representation Organizational Group, an appointment to an Organizational Group is for an individual, not a corporate entity 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 on the SPP 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 and in advance of the meeting appoint a substitute representative who shall have such rights to participate and vote as the Member specifies. A proxy will be recorded as attendance at a meeting, but will not serve to meet the quorum requirements. A representative may not grant a proxy for more than three consecutive meetings without the express consent of the chair of the Organizational Group. If a representative exceeds the proxy limit, he/she will be considered to have resigned from the Organizational Group and the vacancy will be filled in accordance with these Bylaws; except, in the case of any full representation Organizational Group, in which case a new representative will be solicited from the member company.

3.3 Leadership

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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
- (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 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, and other services as may be directed by the Board of Directors;
- (f) serve as SPP's representative before regulatory bodies, NERC, and in other public forums;

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- (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.

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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. Telephone conference meetings may be called as appropriate by the Chair of any Organizational Group with at least one-day prior notice.

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. A proxy will not serve to meet the quorum requirement. The quorum for a meeting must be maintained throughout the meeting in order for the Organizational Group to take binding action.

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

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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(s).

Comment [s2]: Discuss voting by email.

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~~ seven calendar days following a meeting, but in any event in advance of the next meeting, and considered final upon their approval by the Organizational Group or Task 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

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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.

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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 [s3]: NOTE: revised in RE Bylaws to exclude NERC compliance.

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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. 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 function shall 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 [s4]: 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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- (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-substantive~~ 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 policies by which positions, duties, qualifications, salaries, benefits and other necessary matters pertaining to the SPP ~~Staff officers are determined~~;
- (g) Review, approve, disapprove or recommend revision to the actions of any Organizational Group;
- (h) Act on appeals pursuant to Section 3.10;

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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 amendments to these Bylaws as permitted by these Bylaws;
- (l) Approve amendments to the Membership Agreement as permitted by 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 [s5]: Proposed revision from NB/SD pending.

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 [s6]: Pending 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 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:

- (a) At least 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 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.

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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 days 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. 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

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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; 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. Voting results will be announced and recorded in the minutes; no individual votes will be announced or recorded.

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4.6.4 Compensation of Directors

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

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, 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

Comment [s7]: Need to add or amend a sector to include independent transmission companies.

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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 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 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.

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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

Comment [s8]: Discuss whether certain actions should be determined by MOPC action, requiring no further action by the BOD/MC.

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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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- (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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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;~~
- ~~(h) Review the self-assessments of the Organizational Groups to assure that they are being done on a consistent basis;~~
- (hg) Complete a self-assessment annually to determine how effectively the SPC is meeting its responsibilities; and
- (jh) Perform such other functions as the Board of Directors may delegate or direct.

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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:

- (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 Membership;
- (f) Coordinate an annual review and assessment of the effectiveness of the Board of Directors, its structure, and process;
- (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;
- (h) Review the self-assessments of the Organizational Groups to assure that they are being done on a consistent basis;
- ~~(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

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Southwest Power Pool
Bylaws

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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7.2 Regional State Committee

A Regional State Committee, to be comprised of one designated commissioner from each state regulatory commission having jurisdiction over an SPP Member, shall be established to provide both direction and input on all matters pertinent to the participation of the Members in SPP. This direction and input shall be provided within the context of SPP's Organizational Group meetings as well as Board of Directors meetings. The SPP Staff will assist the RSC in its collective responsibilities and requests by providing information and analysis. SPP will fund the costs of the RSC pursuant to an annual budget developed by the RSC and submitted to SPP as part of SPP's budgeting process, which budget must ultimately be approved by the Board of Directors.

The RSC has primary responsibility for determining regional proposals and the transition process in the following areas:

- (a) whether and to what extent participant funding will be used for transmission enhancements;
- (b) whether license plate or postage stamp rates will be used for the regional access charge;
- (c) FTR allocation, where a locational price methodology is used; and
- (d) the transition mechanism to be used to assure that existing firm customers receive FTRs equivalent to the customers' existing firm rights.

The RSC will also determine the approach for resource adequacy across the entire region. In addition, with respect to transmission planning, the RSC will determine whether transmission upgrades for remote resources will be included in the regional transmission planning process and the role of transmission owners in proposing transmission upgrades in the regional planning process.

As the RSC reaches decisions on the methodology that will be used to address any of these issues, SPP will file this methodology pursuant to Section 205 of the Federal Power Act. However, nothing in this section prohibits SPP from filing its own related proposal(s) pursuant to Section 205 of the Federal Power Act.

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7.3 Retention of Other Regulatory Jurisdiction

Nothing in the formation or operation of SPP as a FERC recognized regional transmission organization is in any way intended to diminish the jurisdiction or authority of any other regulatory body. Any regulatory agency having utility rates or services jurisdiction over a Member or the regional transmission organization reserves the right to exercise all lawful means available to protect its existing jurisdiction and authority.

8.0 FISCAL ADMINISTRATION

The fiscal year shall coincide with the calendar year.

8.1 Operating Budget

SPP Staff and the Finance Committee will prepare an annual budget of expenditures for the next fiscal year and an estimate for an additional two years. The proposed budget shall be submitted to the Board of Directors not less than two weeks prior to the meeting at which the budget is to be considered for approval. Once approved by the Board of Directors, the budget shall constitute the authority required by the Officers for expenditures for the ensuing year. Modifications to the budget during the fiscal year must be recommended to the Board of Directors by the Finance Committee. The President shall have the authority to approve ~~unbudgeted~~ expenditures in accordance with SP policy as approved by the Board of Directors.

8.2 Annual Membership Fee

All SPP Members will be subject to an annual membership fee as established by the Board of Directors coincident with its approval of the annual Operating Budget. Membership fees are not subject to refund.

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8.43 Monthly Assessments

SPP will assess certain Members described herein on a monthly basis all costs not otherwise collected. Costs recovered under the assessment will include but are not limited to all operating costs, financing costs, debt repayment, and capital expenditures associated with the performance of SPP's functions as assigned by the Board of Directors. Significant among these are costs associated with regional reliability coordination and the provision of transmission service. SPP shall determine the assessment rate based on its annual budgeted net expenditures divided by estimated annual Schedule 1 billing units for service sold under SPP's OATT and Member load eligible to take, but not taking, Network Integration Transmission Service under SPP's OATT. The Board of Directors may review the assumptions used in determining the assessment rate at any time and may adjust the assessment rate appropriately should conditions warrant. Each load-serving Member shall then be assessed the monthly assessment rate applied to its load eligible to take Network Integration Transmission Service under the SPP OATT. Further, each load-serving Member shall receive a credit against the monthly assessment for that month's Schedule 1 fees paid for Network Integration Transmission Service and for Point-to-Point Transmission Service that had a delivery point within the SPP region, under the SPP OATT.

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8.54 Fiscal Agent

The President shall serve as the fiscal agent of SPP. The President shall keep an up-to-date record of receipts and disbursements and furnish reports to the Board of Directors and the Finance Committee.

8.65 Auditors

The Board of Directors shall annually engage an independent certified public accounting firm to perform an annual audit of SPP's financial records and prepare a report on the financial condition of SPP. The Finance Committee shall present the audit report to the Board of Directors upon completion.

8.76 Financial Obligation of Withdrawing Members

8.76.1 Existing Obligations

"Existing Obligations" are the following:

- a. Member's unpaid annual membership fee.
- b. Member's unpaid dues, assessments, and other amounts charged under the Bylaws, plus the Member's share of costs SPP customarily includes in such dues, assessments or other charges, but which as of the Termination Date SPP had not included in such dues, assessments or other charges.
- c. Member's share (computed in accordance with the Bylaws) of the entire principal amounts of all SPP Financial Obligations outstanding as of the Termination Date. "Financial Obligations" are all long-term (in excess of six (6) months) financial obligations of SPP, including but not limited to the following:
 - i. debts under all loans, loan agreements, borrowings, promissory notes, bonds, and credit lines, under which SPP is obligated, including principal and interest;
 - ii. all payment obligations under equipment leases, financing leases, capital leases, real estate and office space leases, consulting contracts, and contracts for outsourced services;

Comment [s9]: Need to discuss how to address 1) Affiliate Members desiring to consolidate memberships; 2) Merger between two Members where one remains a member of SPP; 3) Purchase of a member entity by another Member. Finance Committee will discuss also.

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- iii. any unfunded liabilities of any SPP employee pension funds, whether or not liquidated or demanded; and
 - iv. the general and administrative overhead of SPP for a period of three (3) months.
- d. Any costs, expenses or liabilities incurred by SPP directly due to the Termination, regardless of when incurred or payable, and including without limitation prepayment premiums or penalties arising under SPP Financial Obligations.
- e. Member's share (computed in accordance with the Bylaws) of all interest that will become due for payment with respect to all interest bearing Financial Obligations after the Termination Date and until the maturity of all Financial Obligations in accordance with their respective terms ("Future Interest"). In the event that a Financial Obligation carries a variable interest rate, the interest rate in effect at the Termination Date shall be used to calculate the applicable Future Interest. In determining the Member's share of Future Interest, SPP shall take into account any reduction of Financial Obligations due to mitigation under this Section.

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8.76.2 Computation of a Member's Existing Obligations

For purposes of computing the Existing Obligations of any withdrawing or terminated Member in accordance with the Membership Agreement, such "Member's share" is a percentage calculated as follows:

$$A = 100 [0.25(1/N) + 0.75(B/C)]$$

Where: A = Member's share (expressed as a percentage)

N = Total number of Members

B = The Member's previous year Net Energy for Load within SPP

C = Total of factor B for all Members

The Finance Committee shall have the discretion to reduce the Existing Obligations of any withdrawing or terminated Member, to reflect any SPP costs or expenses that may be mitigated in connection with such Member's withdrawal or termination.

9.0 NORTH AMERICAN ELECTRIC RELIABILITY COUNCIL

SPP participates as a regional reliability organization in NERC activities. The Board of Directors shall appoint representatives to NERC organizational groups as necessary. SPP may

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pay associated travel expenses of these representatives upon receipt by the President of an expense report as normally filed within the representative's system.

10.0 AMENDMENTS TO THESE BYLAWS, THE ARTICLES OF INCORPORATION, AND MEMBERSHIP AGREEMENT

Except for modifications to Section 4.0 BOARD OF DIRECTORS, Section 5.0 COMMITTEES ADVISING THE BOARD OF DIRECTORS, and Section 10.0 AMENDMENTS, these Bylaws may be amended, repealed, or added to by the Board of Directors only upon thirty calendar days written notice to the Membership of the proposed modification(s). Approval of amendments to the Bylaws by the Board of Directors must be by an affirmative vote of at least five directors. Sections 4.0, 5.0, and 10.0 of these Bylaws and the Articles of Incorporation may be amended, repealed, or added to only by approval of the Membership. All amendments are subject to the requisite regulatory approval(s).

11.0 EFFECTIVE DATE AND TRANSITION PROVISIONS

These Bylaws shall become effective one calendar day following acceptance by the Federal Energy Regulatory Commission. Any amendments to these Bylaws do not relieve a Member of any financial obligation incurred prior to the date of the amendment unless explicitly intended to do so. Binding obligations entered into by authority of Officers or the Board of Directors under these Bylaws are hereby assumed and confirmed as obligations of SPP under these Bylaws.

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