

Southwest Power Pool
OVERSIGHT COMMITTEE MEETING

March 25, 2009

Boston Pacific, Washington, D.C.

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Josh Martin called the meeting to order at 9:40 a.m. The following members were in attendance: Josh Martin (Director), Julian Brix (Director) and Phyllis Bernard (Director). Staff in attendance included Stacy Duckett, David Hodges, Alan McQueen and Mike Riley (SPP). Other attendees included: Harry Skilton, (Director); and Craig Roach, Stuart Rein and Katie Gottshall (Boston Pacific).

Mr. Martin referred to draft minutes of the December 8, 2008 meeting and asked for corrections or a motion for approval (12/8/08 Minutes – Attachment 1). Julian Brix moved to approve the draft minutes and Josh Martin seconded. The motion passed unanimously.

Agenda Item 2 – Review of Past Action Items

Stacy Duckett reviewed the Action Items Report (Action Items - Attachment 2).

Agenda Item 3 – Update on Current Activities

Compliance Department

David Hodges reviewed the quarterly activity report for Internal Compliance (Compliance Report – Attachment 3). The remaining mock audit reports will be issued this week, but there were no significant issues identified. These mock audits will become a part of the compliance program. Mr. Hodges noted the Reliability Coordinator Certification report resulting from the review required prior to the integration of the Nebraska entities. Several positive comments were noted, and positive public comments have been made about SPP subsequently. The pending issues will be addressed in a meeting with NERC later this week.

The Compliance Department hosted the first RTO Compliance Forum in February, which went very well. Due to this success, quarterly forums have been requested by participants rather than the two per year originally planned. Mr. Hodges is working with members to host the additional forums. Phyllis Bernard, Julian Brix and Harry Skilton attended and provided positive comments. The Internal Compliance group is in the process of finalizing a compliance program for SPP. Once finalized, Legal, Training and Internal Audit will be engaged to support it.

Mr. Hodges updated the committee on staffing for the department.

Stacy Duckett will work to clarify how calls to the 800 number are to be managed and report at the next meeting.

External Market Advisor

Craig Roach reviewed the External Market Advisor's (EMA) activities during the last quarter (EMA Report – Attachment 4). He thanked the committee for the continued work via 2009 contract. Mr. Roach reviewed the schedule for the development of the 2008 State of the Market Report.

Mr. Roach noted a recent request from the Congressional Research Services. The responding memo was distributed to the group (Memo – Attachment 5).

Market Monitoring Unit

Alan McQueen reviewed the Market Monitoring Unit quarterly activity report (MMU Report – Attachment 6). He noted an update to the VRL issues. One market participant has intervened thus staying FERC's

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acceptance of the settlement. The Market Analysis good continues to respond to FERC staff requests for data and reports. A positive relationship exists between SPP and the FERC Markets staff.

Staff is hosting regular calls open to interested parties regarding various aspects of the new market design. Participation has been good and response very positive.

The MMU and Compliance will discuss some future data needs and whether there are existing means of requiring its submission.

Agenda Item 4 – FERC Audits and Investigation Status Report

Stacy Duckett provided an update on audits and investigations. The group asked whether a full review of the SPP OATT had been done in recent time for a gap analysis or potential compliance issues. Ms. Duckett will follow-up and report back to the committee.

Agenda Item 5 – 2008 State of the Market Report

Craig Roach, Stuart Rein and Katie Gottshall provided a presentation on the 20089 State of the Market report (SOM). In general, the SPP market functions well and is not overly volatile. The transmission market continues to improve as more facilities go in service. During discussion, the committee asked to receive future updates on ramp rate metrics and a market overview to monitor trends. Stacy Duckett and Craig Roach will discuss how to provide a draft of the SOM report to the Committee in advance of the Board of Directors meeting.

Agenda Item 6 – Request for Information Data

Stacy Duckett discussed growing requests for information and proposed a process for managing this. Following discussion, the committee endorsed an approach of coordinating requests through the MMU, utilizing EMA as needed or requested.

Agenda Item 7 – Order 719 Compliance

Alan McQueen provided an overview of Order 719 as it relates to the market monitoring requests. SPP will need to make some Tariff modifications and Bylaws changes for compliance. In addition, the MMU must begin reporting to the FERC Office of Energy Market Regulation on rules or market changes it proposes and status on proposals to date. Mr. McQueen provided a report and the MMU will do so at future meetings. The MMU has developed a process for moving forward without the Market Working Group approval, as required by Order 719. Mr. McQueen will document a process for publication and discussion at the next meeting.

Agenda Item 8 – Bylaws Updates

Stacy Duckett reviewed pending Bylaws changes that impact the Oversight Committee and/or the areas that report to it (Bylaws Revisions – Attachment 7). The committee asked that Internal Audit provide a copy of audit plans for 2009 in advance of the next meeting. The Oversight Committee and Finance Committee will closely coordinate to ensure all audit work is addressed. The committee concurred with the proposed changes with one clarification.

Agenda Item 9 – New Action Items

Stacy Duckett reviewed new action items:

- Stacy Duckett will clarify how calls to the 800 number are to be managed and report back.
- The MMU and Compliance will discuss future data needs and existing means of requiring its submission.
- Stacy Duckett will initiate a project for a full review of the SPP OATT and report at the next meeting.
- Craig Roach is to provide future updates on ramp rate metrics and a market overview.
- Alan McQueen will document a process for publication and discussion at the next meeting regarding moving forward with rules or market changes.

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Agenda Item 10 – Future Meetings

Mr. Martin reviewed the meeting schedule and confirmed the June 8 meeting in Little Rock.

Schedule for 2009:

June 8	Little Rock (prior to the Board meeting)
September 24	Washington D.C.
December 7	Dallas (prior to the Board of Directors meeting)

The meeting adjourned to Executive Session at 1:45 p.m.

Executive Session

Alan McQueen reviewed the schedule for the Request for Proposal process for an External Market Advisor contract for 2010. The committee approved the proposed process.

David Hodges apprised the committee of a self-report that will be made. No reliability concerns result from the event.

The Executive Session adjourned at 2:10 p.m.

Respectfully Submitted,

Stacy Duckett
Secretary



Southwest Power Pool, Inc.
OVERSIGHT COMMITTEE MEETING

March 25, 2009

Boston Pacific
1100 New York Avenue, NW, Suite 490 East
Washington, D. C. 20005
202-296-5520

• A G E N D A •

9:30 a.m. – 3:00 p.m. EDT

- 1. Call to Order Josh Martin
- 2. Action Items Report..... Stacy Duckett
- 3. Update on Current Activities
 - a. Internal Compliance..... David Hodges
 - b. External Market Advisor.....Craig Roach
 - c. Market Monitoring Unit..... Alan McQueen
- 4. FERC Audits and Investigation Status Report..... Stacy Duckett
- 5. 2008 State of the Market ReportCraig Roach
- 6. Requests for Information/Data..... Stacy Duckett
- 7. Order 719 Compliance Alan McQueen
- 8. Bylaws Updates..... Stacy Duckett
- 9. New Action Items Stacy Duckett
- 10. Future Meetings Josh Martin

Schedule for 2009:

June 10	Little Rock (prior to the Board of Directors meeting)
September 24	Washington, D. C.
December 7	Dallas (prior to the Board of Directors meeting)

Executive Session

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

Southwest Power Pool
OVERSIGHT COMMITTEE MEETING
December 8, 2008
Hyatt Regency DFW Airport, Dallas, TX

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Josh Martin called the meeting to order at 1:05 p.m. The following members were in attendance: Josh Martin (Director), Julian Brix (Director) and Phyllis Bernard (Director). Staff in attendance included Stacy Duckett. Guests included Richard Dillon and David Hodges (SPP); and Craig Roach (Boston Pacific).

Mr. Martin referred to the draft minutes of the September 25, 2008 meeting and asked for corrections or a motion for approval (9/25/08 Minutes – Attachment 1). The minutes were approved by acclamation.

Agenda Item 2 – Review of Past Action Items

Stacy Duckett reviewed the Action Items Report (Action Items - Attachment 2). The committee scope statement was reviewed and will be discussed at the Corporate Governance meeting on December 10.

Agenda Item 3 – Update on Current Activities

Compliance Department

David Hodges reviewed the Compliance Department activity report (Compliance Report – Attachment 3). The Committee asked to receive copies of mock audit reports as they are finalized. The group encouraged use of mock audits on a regular schedule to facilitate compliance. Compliance staff will be working on a comprehensive compliance plan in response to FERC's Report on enforcement. SPP will host a compliance forum in February to discuss best practices.

External Market Advisor

Craig Roach reviewed the External Market Advisor's (EMA) activities during the last quarter (EMA Report – Attachment 4). Stacy Duckett thanked Boston Pacific for their assistance to date on the FERC audit responses. Boston Pacific prepared analysis of the Government Accountability Office (GAO) Report and provided a memo to the committee, which the Committee requested be provided to the entire Board (Memo – Attachment 5). Following discussion of a review of transmission outages report, the Committee will request that the Markets and Operations Policy Committee (MOPC) ask the appropriate working group to develop clear definitions of "planned" and "unplanned" outages for better reflection of outages and better analysis. The Committee asked Mr. Roach to provide copies of recent public reports Boston Pacific prepared regarding resource issues.

Market Monitoring Unit

Richard Dillon reviewed the Market Monitoring Unit activity report (MMU Report – Attachment 6). Mr. Dillon and Ms. Duckett will discuss how to note calls with FERC staff. The Market Monitoring Unit (MMU) has begun the process of annual reviews with each market participant regarding their market activity. Mr. Dillon provided a report reflecting the EMA recommendations from the State of the Market Report and current status. Any questions should be directed to Mr. Dillon.

Agenda Item 4 – FERC Audits Status Report

Stacy Duckett provided status reports of the various audits in process.

Agenda Item 5 – Future Markets Update

Richard Dillon reviewed the status of the future market design activities and implementation process. Mr. Dillon noted a pending proposal of the Market Working Group to recommend Ancillary Services Markets and

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December 8, 2008

Day-Ahead Market as the next phase of Market development. The Market Working Group has initiated a three-day meeting schedule to focus on design development.

Agenda Item 6 – FERC 2008 Report on Enforcement

David Hodges provided an overview of the FERC Report on Enforcement during the quarterly activity report (2008 Report on Enforcement – Attachment 7).

Agenda Item 7 – 2009 EMA Contract Discussion

Craig Roach and Richard Dillon discussed work to be included in the 2009 contract. The Committee reviewed a draft contract. Ms. Duckett noted that the Committee determined to issue a Request for Proposal (RFP) for a 2010 contract.

Agenda Item 8 – Oversight Committee Annual Assessment

Stacy Duckett reviewed the Oversight Committee survey results (OC Assessment – Attachment 8). Julian Brix requested that the consultants be asked to review the analysis process. The group discussed the scope statement as well (OC Scope – Attachment 9).

Agenda Item 9 – New Action Items

Stacy Duckett reviewed new action items:

- David Hodges is to send the Committee mock audit reports as each are ready.
- Staff is to provide the Boston Pacific memo regarding the GAO Report to other directors.
- Request the MOPC to assign the appropriate working group to clearly define “planned” and “unplanned” outages.
- Boston Pacific is to provide copies of two recent public reports.
- Staff is to follow-up with survey consultants regarding the analysis process.

Agenda Item 10 – Future Meetings

Mr. Martin reviewed the meeting schedule.

Schedule for 2009:

March 26	Washington D.C.
June 10	Little Rock (following the Board of Directors meeting)
September 24	Washington D.C.
December 7	Dallas (prior to the Board of Directors meeting)

The meeting adjourned to Executive Session at 4:05 p.m.

Executive Session

The Committee approved the 2009 contract with Boston Pacific and directed staff to finalize for execution and filing. The Executive Session adjourned at 4:30 p.m.

Respectfully Submitted,

Stacy Duckett
Secretary



Southwest Power Pool, Inc.
OVERSIGHT COMMITTEE
Pending Action Items Status Report
March 25, 2009

Action Item	Date Originated	Status	Comments
Staff to provide update on discussions regarding SPP's role in addressing competing proposals for transmission projects.	September 25	Completed	Update at December 8 meeting.
Staff is to consider guidelines for interactions with the Regional Entity staff.	September 25	Pending	Update at March 25 meeting.
Scope Statement clarification discussion at December Board meeting.	September 25	Pending	March 25 meeting agenda item.
D. Hodges to send mock audit reports as each is ready.	December 8	Pending	One series has been forwarded; others pending.
Staff to provide Boston Pacific memo on GAO Report to other Directors.	December 8	Completed	S. Duckett distributed copies at the December 9 Board meeting.
Request the MOPC assign task of clearly defining "planned" and "unplanned" outages.	December 8	Completed	Pending at MOPC.
C. Roach to distribute copies of two recent public reports prepared by Boston Pacific	December 8	Completed	C. Roach distributed via email December 11.
Staff to provide feedback to survey consultants regarding analysis process.	December 8	Completed	S. Duckett conveyed feedback.



Compliance Department
Report to the Oversight Committee
March 25, 2009

Compliance Audits

The SPP RC – RRO Compliance Audit scheduled for October 21, 2008 through October 23, 2008 has been postponed until a later date in 2009.

The SERC audit of the ICT and ITO scheduled for November 3, 2008 through November 5, 2008 has been rescheduled for the week of October 26, 2008.

The Compliance Department is conducting a “mock audit” for the RTO, ICT, and ITO since the audits have been postponed. The Evaluation Reports have been finalized for all of the “mock audits. This process will be part of the Compliance Program that is currently being developed.

The SPP Regional Entity notified David Hodges of a 2009 Spot Check Audit on seven enforceable standards. The SPP RC is required to submit evidence showing compliance with each applicable requirement by May 31, 2009.

SPP RC Certification – (addition of Nebraska entities)

Through discussions with the NERC staff, NERC Operating Committee, and SPP, NERC determined that due to the magnitude of changes the SPP expansion project entails, a NERC RC certification was warranted. The NERC Report is included in the background material.

2009 Compliance Forum

The first RTO Compliance Forum was held in Little Rock on February 26, 2009. The Compliance Department facilitated this meeting to support SPP Members and registered entities regarding compliance concerns and issues.

There were approximately 100 participants attending the forum. The discussion relating to various topics on the agenda was very enlightening to the entire audience. SPP initially planned to have a spring and fall Compliance Forum. The participants have requested quarterly meetings due to the success of the first meeting. The RTO asked that members host two of the meetings each year. The Compliance Department is hosting a monthly conference call for compliance support in addition to the forum.

The Compliance Forum Questionnaire results show that the SPP Members and registered entities see the forum as very valuable regarding compliance.

Topics that participants would like to see in the next forum include:

- A more in-depth look and more time dedicated to CIP Standards
- A more in-depth look and more time dedicated to audit lessons learned
- Break out sessions that would focus more on smaller entities, different functions, and address specific standards
- Compliance monitoring software
- Document sharing between entities
- Internal audit programs
- Data retention
- Alleged/Possible violations that are being identified and mitigated

Attached is an insert containing the **Reliability Standards Acronyms**. I hope this is helpful when reviewing the many different standards.

Reliability Standards Acronyms

BAL	Resource and Demand Balancing	NUC	Nuclear
CIP	Critical Infrastructure Protection	ORG	Organization Certification
COM	Communications	PER	Personnel Performance, Training, and Qualifications
EOP	Emergency Preparedness and Operations	PRC	Protection and Control
FAC	Facilities Design, Connections and Maintenance	TOP	Transmission Operations
INT	Interchange Scheduling and Coordination	TPL	Transmission Planning
IRO	Interconnection Reliability Operations and Coordination	VAR	Voltage and Reactive
MOD	Modeling, Data, and Analysis		

Future Activities

- Provide assistance to members and registered entities regarding compliance.
- Compliance Forum
- Participate in national forums
- NERC Compliance and Certification Committee
- TOOF – Compliance Practices Group
- OATI WebCompliance Software being implemented for compliance tracking, monitoring, and standards updates.

Respectfully submitted,

David H. Hodges
Director, Compliance

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

NERC Reliability Coordinator (RC) Certification of Southwest Power Pool (SPP)

Site Visit Conducted

March 2-3, 2009

Southwest Power Pool

Little Rock, AR

to ensure
the reliability of the
bulk power system

116-390 Village Blvd., Princeton, NJ 08540
609.452.8060 | 609.452.9550 fax
www.nerc.com

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Introduction

This report presents the results of the NERC Reliability Coordinator (RC) Certification of Southwest Power Pool's (SPP) expanded footprint. On Sept. 30, 2008, the SPP asked FERC to allow SPP membership of Nebraska Public Power District (NPPD), Lincoln Electric System (LES), and Omaha Public Power District (OPPD). After a thorough review by the Commission and its staff, FERC approved the request on Nov. 26, 2008. Additionally, a FERC order issued December 22, 2008 granted Aquila's request to become an SPP member as well. NERC management and the NERC Operating Committee deemed it necessary to certify SPP because incorporating Nebraska and Aquila into the SPP RC area increases the SPP RC geographic footprint by ~30% and the number of miles of transmission lines by ~16%.

RCs have a primary responsibility for the real-time operating reliability of their RC areas in coordination with neighboring RCs' wide area views; operation with good operating practices and compliance with the NERC Standards without regard to economic consideration, and avoidance of burdening neighboring systems.

On April 1, 2009 the three Nebraska entities and Aquila are expected to complete their transition activities such as training, procedures, agreements, communications, data exchange, and tools so that they can fully participate in SPP.

Certification Team

Through discussions with the NERC staff, NERC Operating Committee, and SPP, NERC determined that due to the magnitude of changes the SPP expansion project entails, a NERC RC certification was warranted. This decision began the process for certification that is outlined in the NERC Rules of Procedure (RoP) Section 500 and RoP Appendix 5. Following the decision by NERC to have SPP complete the certification process for the expanded RC footprint, a Certification Team was formed. The team rosters for members of both the RC Certification Team and key SPP RC staff involved are listed in Attachment 1.

Objective and Scope

The objective of this review was to assess SPP's implementation of their processes, procedures, training, and tools which will allow them to reliably perform the function of an RC for the newly expanded RC footprint.

The scope of the review included, but was not limited to: (1) Interviewing SPP's management and reviewing pertinent documentation for verification of basic requirements for RC operation; (2) Reviewing procedures and other documentation developed by SPP to meet the applicable NERC standards / requirements; (3) Interviewing SPP system operations personnel; (4) Interviewing SPP EMS and Planning staff; and (5) Performing other validation reviews considered necessary as it relates to the Nebraska entities and Aquila.

One site visit was conducted on March 2-3, 2009.

Overall Conclusion

The certification process was completed in reasonable accordance with the NERC Rules of Procedure Section 500 and Appendix 5 to determine if the applicant has the necessary tools, processes, training, and procedures to perform the function as a NERC certified RC for SPP's expanded footprint. SPP presented the necessary evidence to the Certification Team for its review, as it relates to the applicable NERC standards / requirements and good industry practices for sustained reliable RC operation of the expanded SPP footprint. Because of this review, the Certification Team has reasonable assurance the SPP RC does have the tools, processes, training, and procedures in place to reliably perform the RC function. Therefore, the RC Certification Team recommends that SPP be granted approval as a NERC certified RC on a conditional basis (see *Certification Team Findings* below for details regarding these conditions).

The SPP RC has requested the completed transition of the three Nebraska entities and Aquila to take place on or about April 1, 2009.

Certification Team Findings

While the team recommends that SPP be granted certification, the following work-in-process items must be completed prior to SPP going operational in the expanded footprint. SPP will need to certify in writing that these work-in-progress items have been completed prior to April 1, 2009 (proposed operations date) and present adequate evidence of completion to the Certification Team as a condition of certification. The work-in-progress items are:

- Program phones with contact information, test them, and document the testing and information (SPP & Entities)
- Document the satisfactory completion of the data point verification with the new members
- Change the wording in the SPP IROL Relief guide from “should” to a “shall” (IRO-005-2, R3 & R5)
- Implement training pursuant to the Nebraska and Aquila entities
- Secure approval of the Regional Restoration Plan
 - Cranking paths for the nuclear units (Cooper & Ft. Calhoun)
- Secure approval and signature of the “Adjacent Reliability Coordinator Coordination Agreement” with WECC
- Ensure the Reliability Plan is approved by the NERC Operating Committee
- Implement Three-way communication in the training program, beyond the scope of restoration training (COM-002, R2)

Positive Observations

Throughout the certification process the Certification Team made a number of positive observations:

- SPP's wide-area view of its area and its neighbors
- Training program
 - Materials
 - Evaluation worksheets
 - Instructor platform skills
 - Summary guides relative to Nebraska and Aquila
 - Interaction with Nebraska and Aquila entities
 - Training hours given to operators
 - Size of training staff
 - Other members have VPN access for blackstart drills
- SPP's preparedness for the NERC certification process
- Responsiveness to issues identified by the Certification Team and SPP's timeliness in closing those items
- Acknowledgement that SPP and the Certification Team are working towards the same goal
- eDNA display providing Special Protection Scheme status

Certification Team Focus Areas

To enable the Certification Team to complete a thorough review of the SPP RC processes, procedures, training, and tools and to leverage the expertise of the Certification Team, two focus areas were identified and Certification Team resources assigned (Compliance Preparedness and RC Preparedness).

The Compliance Preparedness team was presented evidence by SPP that provided reasonable assurance that SPP does have the necessary processes, procedures, and tools in place in order to be in compliance with the applicable NERC Standards as indicated in the Master **SPP RC Cert Matrix** which also provides a cross reference between the requirements and the SPP Evidence.

The RC Preparedness team interviewed SPP staff (operations, support, and management) and reviewed pertinent documentation and witnessed the operator's use of the processes, tools, and procedures for verification of basic requirements to gain reasonable assurance that SPP is able to reliably operate the expanded footprint in accordance with good industry operating practice and the NERC Standards.

Company History

In North America, Southwest Power Pool is one of nine Independent System Operators/Regional Transmission Organizations (ISOs/RTOs) and one of eight NERC Regional Entities. SPP is mandated by the Federal Energy Regulatory Commission to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity.

ISOs/RTOs are the "air traffic controllers" of the electric power grid. ISOs/RTOs do not own the power grid; they independently operate the grid minute-by-minute to ensure that power gets to customers and to eliminate power shortages.

SPP provides the following primary services to their members and customers:

Tariff Administration: In 1998, FERC approved SPP to independently administer the Open Access Transmission Tariff. SPP provides one-stop shopping for regional transmission service with consistent rates and terms. Eligible users can access SPP's transmission system to transport electricity to wholesale customers. SPP ensures fair and open access to the transmission system for all customers. SPP processes an average of 17,000 transmission requests per month.

Reliability Coordination: SPP monitors power flow throughout our footprint. SPP anticipates problems and takes preemptive action to mitigate operating limit violations. SPP coordinates regional response in emergency situations or blackouts.

Regional Scheduling: SPP ensures that the amount of power sent is coordinated and matched with power received. SPP's regional scheduling service reduces the number of entities with which SPP members and customers have to coordinate.

Market Operations: SPP's Energy Imbalance Service market monitors resource/load balance to ensure that less expensive power is used to serve load before expensive power, as long as system reliability is met.

Expansion Planning: SPP's planning process seeks to identify system limitations and develop transmission upgrades for increased capacity.

Contract Services: SPP provides reliability, tariff administration, and scheduling for non-members on a contract basis.

Company Details

On Sept. 30, 2008, the SPP¹ filed with FERC to allow Nebraska Public Power District (NPPD), Lincoln Electric System (LES), and Omaha Public Power District (OPPD) to be members of SPP. After a thorough review by the Commission and its staff, FERC approved the request on Nov. 26, 2008. As stated in the order, the Commission received no opposition to this expansion of the SPP. On April 1, 2009, the three Nebraska utilities expect to complete their transition activities so that they can fully participate in SPP.

On September 23, 2008, Kansas City Power and Light Company (KCP&L) and Aquila, Inc. (Aquila) (collectively, Applicants)² filed a petition for declaratory order (Petition) requesting Commission approval of the proposed classification of their respective transmission facilities in accordance with the definition of Transmission Facilities contained in the Southwest Power Pool, Inc.'s (SPP) Open Access Transmission Tariff (Tariff). FERC granted the Applicants' petition for declaratory order and found that the Applicants' proposed classification is consistent with the definition of Transmission Facilities of the SPP's Tariff.

The current SPP Reliability footprint without Nebraska and Aquila Entities:

- Transmission Voltage Levels: 500, 345, 230, 161, 138, 115, 69 kV
- 40,364 miles of transmission lines

MPS (Missouri Public Service / Aquila) consists of 152 miles of 345-kV lines, 511 miles of 161-kV lines, 560 miles of 69-kV circuits, and 583 miles at the 34-kV level. The new SPP Reliability footprint with Nebraska and Aquila Entities added:

- Transmission Voltage Levels: 500, 345, 230, 161, 138, 115, 69 kV
- 46,933 miles of transmission lines

Omaha Public Power District (OPPD) owns about 400 miles of 345 kV lines, 415 miles of 161 kV lines, and 480 miles of 69 kV for a total of 1274 miles of transmission lines, OPPD has tie lines with:

- NPPD (1 tie 345 kV, 3 ties 161 kV lines, and 5 ties 69 kV)
- MEC (MidAmerican Energy Company) (2 ties 345 kV , and 1 tie 161 kV)
- LES (2 ties 345 kV and 1 tie 161 kV)
- Westar (1 tie 161 kV)

¹ Docket No. ER08-1601-000 "Order Accepting Filing"

² Docket No. EL08-09-000 "Order Granting Petition for Declaratory Order"

Nebraska Public Power District (NPPD)

NPPD own 5031 miles of Transmission Lines, voltage levels: 345 kV, 230kV, 115kV and 69 kV. NPPD operates 2,717 miles of 115 kV, 682 miles of 230 kV, and 895 miles of 345 kV; NPPD has tie lines with:

- AECI (1 tie 345kV)
- LES (4 ties 115 kV, 2 ties 345 kV)
- MPS (1 tie 345 kV)
- MEC (2 ties 345kV)
- OPPD (1 tie 35kV, 5 ties 69kV, 4 ties 115kV, 3 ties 161kV, 1 tie 345kV)
- SCSW (Sidney Tie 345 kV)
- SECI (1 tie 345 kV)
- WAUE (5 ties 115 kV, 5 ties 230 kV, 2 ties 345 kV)

Lincoln Electric System (LES) owns about 65 miles of 345 kV, 12 miles 12kV and 197 miles of 115 kV a total of 274 miles Transmission lines; LES has tie lines with:

- MEC (2 pseudo ties for Jointly Owned units)
- NPPD (4 ties 115 kV, 2 ties 345 kV)
- OPPD (1 tie 161 kV, 2 ties 345 kV)

Documentation List

Copies of all of the supporting SPP documents were collected as evidence of SPP's preparedness and this evidence will be kept as a record to support the Certification Team's recommendation and findings. These documents will be retained at the NERC office in Princeton, New Jersey for a period of six years.

None of the documents listed below are included with the distribution of this final report. Per the NERC Rules of Procedure and due to the confidential nature of this material, these documents are available for review at the NERC offices after proper authorization is obtained.

- Complete questionnaires (SPP, OPPD, Aquila, NPPD, & LES)
- Master SPP RC Cert Matrix
- SPP's RC evidence file(s)
- Miscellaneous documentation such as:
 - Pertinent emails
 - Site evolution presentations
 - Schedules
 - Status matrices

Critical Infrastructure Protection [CIP] Requirements

The scope of this certification does not require the review of CIP information.

Evaluation of the RC Standards

The Certification Team was able to assess the applicant's ability to reasonably meet the RC Standards/Requirements as documented in the **Master SPP RC Cert Matrix**.

Attachment 1: Certification Team

The RC Certification Team

- Jim Hughes – NERC (Team Lead)
- Alan Oneal – Consultant for MRO
- Richard Cobb – Midwest ISO
- Brian Berkstresser – Empire District Electric Co.
- Steve Thompson – WECC RC
- Donald Hargrove – Oklahoma Gas & Electric

The SPP Staff that Participated in the On-site Visits

- David Hodges – Director, Compliance
- Lanny Nickell – Vice President, Operations
- Robert Rhodes – Manager, Reliability Coordination
- Jason Smith – Supervisor, Operations Analysis
- Casey Cathey – Supervisor, Modeling and Data Integrity
- Terry Oxandale – Supervisor, Performance Support
- Ron Losh – Lead Compliance Analyst
- April Brooks – Compliance Analyst
- Steve Taylor – Senior Coordinator
- Carl Monroe – Executive Vice President & Chief Operating Officer

Attachment 2: Certification Process Steps

Documentation Review

The Certification Team reviewed appropriate documentation / evidence that provided reasonable assurance that SPP has the tools, processes, procedures, and training to operate as a NERC certified RC for the expanded footprint.

The Certification Team used a spreadsheet to cross reference the documentation / evidence provided by SPP to the applicable NERC Standard and requirement, namely *Master SPP RC Cert Matrix*.

Applications Review

The March 2-3, 2009 site visit in Little Rock, AR focused on documentation reviews, interviews of certified RC operators and SPP support staff and management, and evaluation of the RC applications and toolset that are available to the operator. The Certification Team reviewed SPP online applications that are being used and will be used to perform the RC function for the expanded footprint. The SPP RC provided application and tool set functionality demonstrations to the Certification Team as evidence of operator readiness to assume the duties of the SPP RC for the newly expanded footprint.

Operational Testing

SPP has conducted a series of operational and point-to-point tests between the SPP facility and the Nebraska/Aquila entities. Operational testing is primarily focused with testing the necessary signals in order to facilitate the EMS, operating process, and planned outage scheduling tools. This was tested per SPP's testing plan.

SPP will begin the formal transition process on March 16, 2009 with the beginning of Parallel Operations with the Midwest ISO RC. Any real-time decisions concerning the Nebraska and Aquila entities will be discussed via three way conference call with the SPP RC during or immediately after as time allows.

The Nebraska and Aquila entities are currently submitting outages that are to begin after April 1, 2009 to SPP for evaluation. For outages that begin prior to April 1, 2009, SPP is informed of the outage request and is studying the outage in unison with Midwest ISO.

Parallel data submission is currently in place as of March 6, 2009 to the NERC SDX and IDC staging environments. Midwest ISO is submitting data to the production SDX and IDC environments until midnight on April 1, 2009. Data has been validated with the Nebraska and Aquila entities and submitting all required data over ICCP to SPP Production and DR ICCP systems as of March 6, 2009. Nebraska and Aquila entities will begin submitting load and capability data to SPP Production OPS1 on March 31, 2009 at 0600 to calculate reserve requirements for April 1, 2009.

EPA 2005 Civil Penalty Enforcement Actions

Subject of Investigation Order and Date	Total Payment	Explanation of Payments (Civil Penalty Under the NGA, FPA, or NGPA; Disgorgement of Profits; Other Payments) and Compliance Plans
In re Jefferson Energy Trading, LLC, Wizco, Inc., Golden Stone Resources, LLC, 126 FERC ¶ 61,040 (January 15, 2009)	\$585,000	Civil penalty and compliance reporting resulting from violations of 18 C.F.R. § 1c.1, in connection with an attempt to engage in multiple affiliate bidding to impair the pro rata allocations in an auction.
In re Klabzuba Oil & Gas, F.L.P., 126 FERC ¶ 61,040 (January 15, 2009)	\$300,000	Civil penalty and compliance reporting resulting from violations of 18 C.F.R. § 1c.1, in connection with an attempt to engage in multiple affiliate bidding to impair the pro rata allocations in an auction.
In re Oneok, Inc., 126 FERC ¶ 61,040 (January 15, 2009)	\$4,500,000 \$1,914,945	Civil penalty, disgorgement and compliance monitoring resulting from violations of 18 C.F.R. § 1c.1, in connection with the submission of multiple affiliate bids to impair the pro rate allocation mechanism in an auction. Also violations of shipper-must-have-title requirements and open access transportation requirements.
In re Tenaska Marketing Ventures, 126 FERC ¶ 61,040 (January 15, 2009)	\$3,000,000 \$1,972,842	Civil penalty, disgorgement and compliance monitoring resulting from violations of 18 C.F. R. § 1c.1, in connection with the submission of multiple affiliate bids to impair the pro rata allocation mechanism in an auction.
In re DCP Midstream, LLC., 125 FERC ¶ 61,359 (December 23, 2008)	\$360,000	Civil penalty and compliance monitoring reporting resulting from self-reported violations of the shipper-must-have-title requirement.
Sempra Energy Trading LLC., 125 FERC ¶ 61,360 (December 23, 2008)	\$400,000 \$7,959	Civil penalty, disgorgement and compliance monitoring reporting resulting from self-reported violations of the shipper-must-have-title requirement.

Source: FERC website
Updated: March 18, 2009
Total Penalties: \$64.67 million

In re Cornerstone Energy, Inc., 125 ¶ FERC 61,234	\$325,000 \$121,825	Civil penalty and disgorgement resulting from violations of the Commission's capacity release policies, specifically violations of the shipper-must-have-title requirement.
In re NorthWestern Corporation and NorthWestern Services, LLC., 125 FERC ¶ 61,233 (November 26, 2008)	\$450,000	Civil penalty and compliance monitoring reporting resulting from violations of the Commission's capacity release policies, specifically violations of the shipper-must-have-title requirement.
Columbia Gas Transmission Corporation and Columbia Gulf Transmission Company, 125 FERC ¶ 61,150 (November 6, 2008)	\$1,000,000 \$9,000,000	Civil penalty and disgorgement resulting from alleged violations of the Parking and Lending Rate Schedule of the companies' FERC tariff.
In re Enbridge Marketing (U.S) L.P., 125 FERC ¶ 61,088 (October 24, 2008)	\$500,000	Civil penalty and compliance report resulting from self-reported violations of the shipper-must-have-title requirement.
In re Integrys Energy Services, Inc., 125 FERC ¶ 61,089 (October 24, 2008)	\$800,000 \$194,506	Civil penalty, disgorgement, and a 1 year compliance monitoring plan resulting from a self-report for violations of shipper-must-have-title requirements and circumvention of the posting and bidding requirements for released capacity.
In re Duquesne Light Company, 123 FERC ¶ 61,221 (May 29, 2008)	\$250,000 \$1,000,000	Civil penalty and at least \$1,000,000 designated for a comprehensive compliance plan for violations of FERC cost allocation procedures, the electric quarterly report filing requirement and the standards of conduct.
In re Edison Mission 123 FERC ¶ 61,170 (May 19, 2008)	\$7,000,000 \$2,000,000	Civil penalty and at least \$2,000,000 designated for a comprehensive compliance plan for violations of 18 C.F.R. § 35.41 (b) (2007), which imposed a duty to provide accurate, factual, and complete information in communications with the Commission upon electric power sellers authorized to engage in sales for resale of electric energy at market based rates.

Source: FERC website
Updated: March 18, 2009
Total Penalties: \$64.67 million

In re Entergy New Orleans, Inc., 122 FERC ¶ 61,219 (March 11, 2008)	\$400,000	Civil penalty resulting from self-reported violations of the Commission's shipper-must-have-title requirement.
In Constellation NewEnergy-Gas Division, LLC (CNE-G) 122 FERC ¶ 61,220 (March 11, 2008)	\$5,000,000 \$1,899,416	Civil penalty, disgorgement, and a compliance monitoring plan resulting from self-reported violations of the Commission's capacity release policies, including circumvention of the posting and bidding requirements for released capacity, violations of the shipper-must-have-title requirement, and violations of the prohibition on buy-sell transactions.
In re BP Energy Company, 121 FERC ¶ 61,088 (October 25, 2007)	\$7,000,000	Civil penalty and compliance monitoring plan resulting from self-reported violations of competitive bidding regulations, shipper-must-have-title requirement, and prohibition on buy/sell arrangements.
In re MGTC, Inc., 121 FERC ¶ 61,087 (October 25, 2007)	\$300,000	Civil penalty and compliance report resulting from self-reported violations of the shipper-must-have-title requirement.
In re Gexa Energy, L.L.C., 120 FERC ¶ 61,175 (August 21, 2007)	\$500,000 \$12,481.41	Civil penalty and disgorgement resulting from a self-report of violations of the FPA.
In re Cleco Power, LLC, et al., 119 FERC ¶ 61,274 (June 12, 2007)	\$2,000,000	Civil penalty and a 1-2 year compliance plan resulting from a self-report for a violation of a 2003 Settlement agreement by sharing 9 employees and sharing prohibited market info between different Cleco companies.
In re Columbia Gulf Transmission Company, 119 FERC ¶ 61,174 (May 21, 2007)	\$2,000,000	Civil penalty resulting from a Commission referral for a violation of a Commission order to allow installation of a receipt interconnection.
In re Calpine Energy Services, L.P., 119 FERC ¶ 61,125 (May 9, 2007)	\$4,500,000	Civil penalty and a 1-2 year compliance plan resulting from a self-report for violations of shipper-must-have-title requirements.
In re Bangor Gas Company, 118	\$1,000,000	Civil penalty and a 1 year compliance plan resulting from a self-report for violations

Source: FERC website
Updated: March 18, 2009
Total Penalties: \$64.67 million

FERC ¶ 61,186 (March 7, 2007)		of shipper-must-have-title requirements.
In re PacifiCorp, 118 FERC ¶ 61,026 (January 18, 2007)	\$10,000,000	Civil penalty and a 1 year compliance plan resulting from a self-report for violations of OATT and Standards of Conduct.
In re SCANA Corporation, 118 FERC ¶ 61,028 (January 18, 2007)	\$9,000,000 \$1,800,000	Civil penalty, disgorgement, and a 1 year compliance plan resulting from a self-report for violations of OATT.
In re Entergy Services, Inc., 118 FERC ¶ 61,027 (January 18, 2007)	\$2,000,000	Civil penalty and a 1-2 year compliance plan resulting from a self-report for violations of OATT and Standards of Conduct OASIS posting requirements.
In re NorthWestern Corporation, 118 FERC ¶ 61,029 (January 18, 2007)	\$1,000,000	Civil penalty and a 2 year compliance plan resulting from a hotline call for violations of Business Practice Standards for OASIS Transactions.
In re NRG Energy, Inc., 118 FERC ¶ 61,025 (January 18, 2007)	\$500,000	Civil penalty and a 1 year compliance plan resulting from a self-report for violations of ISO-NE Market Rule 1 and the Commission's Market Behavior Rules 1 and 3.

Source: FERC website
Updated: March 18, 2009
Total Penalties: \$64.67 million

SPP, INC
OVERSIGHT COMMITTEE MEETING
MARCH 25, 2009

SUMMARY OF EMA ACTIVITY
SINCE LAST MEETING ON DECEMBER 8, 2008

A. 2009 FINAL EMA CONTRACT

1. Finalized the 2009 EMA Contract between SPP and Boston Pacific Company, Inc.

B. 2008 STATE OF THE MARKET REPORT

1. Provided Outline to MMU on January 29, 2009.
2. Provided Key Points Outline with Tables and Figures to MMU on March 17, 2009.
3. Present Tables and Figures to the Oversight Committee today.
4. Schedule Going Forward:
 - a. Feedback from Oversight Committee today.
 - b. Provide Draft State of the Market Report to the MMU by April 10, 2009.
 - c. MMU will provide feedback on Draft Report by April 17, 2009.
 - d. Present Report at April 28, 2009 Board Meeting.
 - e. Publish Final Report on May 5, 2009.
 - f. Joint presentation with MMU to FERC on June 4, 2009.

C. WIND ANALYSIS

1. An energy advisor at the Congressional Research Service received a request from the Senate concerning the fuel type(s) displaced by wind production, and he asked us for data in SPP.
2. In coordination with the MMU, we provided a response on March 11, 2009.
3. Discussion of wind analysis method.

MEMORANDUM

March 11, 2009

TO: William Hederman
Specialist Energy Policy Advisor
Congressional Research Service

FROM: Craig Roach
Stuart Rein
Katherine Gottshall
Boston Pacific Company, Inc.

CC: Stacy Duckett
Richard Dillon
Alan McQueen
David Lee
Southwest Power Pool

SUBJECT: Fuel Displacement by Wind Generation in the Southwest Power Pool's Energy Imbalance Service Market in 2008

Per your request, we have attached an Excel file containing (a) the amount of wind in MWh produced in the Southwest Power Pool's (SPP's) Energy Imbalance Service (EIS) Market by hour in 2008 and (b) the amount of natural gas, coal, or other generation displaced by wind for each hour in that year. We have also attached to this memo a summary of these data by month.

As you can see from the attached monthly summary tables, wind generation totaled over 6 million MWh in 2008 (this is about 3.4% of total generation in SPP's EIS Market). We estimate that about 65% of the wind production displaced natural gas-fired generation and about 35% displaced coal-fired generation. As you can see, the percentages vary by month.

For background, we wanted to briefly explain our analytical method. Our first step was to calculate the amount of MWh produced by wind for each 5-minute dispatch interval. Next we determined which fuel was at the margin for each 5-minute interval. "At the margin" means this is the resource or mix of resources that sets the price(s) in SPP and would likely be the resource(s) displaced by wind generation. One caution is that our approach makes the assumption that whether 1 MWh or 1000 MWh of wind are generated it is the marginal resource(s) that are displaced. We then summed up the 5-minute interval data to provide hourly results.

The attached workbook contains three sheets. In the first sheet, "Data": a) Column A has the day, b) Column B has the hour ending (so for hour 5, this means from

4:00:01am to 5:00:00am), c) Column C is the amount of MWh that we are assuming coal plants would have produced in the absence of wind, d) Column D is the amount of MWh that we are assuming natural gas plants would have produced in the absence of wind, e) Column E is the amount of MWh that we are assuming other types of resources would have produced in the absence of wind (this is a very small percentage, so we did not break it out any further), f) Column F is the total amount of MWh produced by wind, which is the sum of Columns C + D + E.¹

We hope this helps. Please let us know if you have any other questions.

¹ Note that a small amount of interval data are missing. However, for the purpose of this analysis we felt it was small enough to ignore.

TABLE ONE A
MWh of Coal, Natural Gas, and Other Generation Displaced by Wind Power
in SPP's EIS Market in 2008

Month	Displaced Coal (MWh)	Displaced Gas (MWh)	Displaced Other (MWh)	Total Displaced (MWh)
January	148,754	395,103	267	544,124
February	150,025	281,756	60	431,841
March	149,450	387,430	417	537,297
April	150,595	440,935	202	591,733
May	245,630	317,640	297	563,568
June	149,910	335,386	305	485,601
July	146,436	294,405	310	441,151
August	91,714	210,226	319	302,258
September	213,137	187,002	105	400,244
October	239,045	297,100	89	536,234
November	161,783	386,306	518	548,607
December	291,964	399,384	-	691,347
Total	2,138,442	3,932,673	2,889	6,074,004

TABLE ONE B
Percentage Displacement Calculation
for Table One A

Month	% Displaced Coal	% Displaced Gas	% Displaced Other
January	27.3%	72.6%	0.0%
February	34.7%	65.2%	0.0%
March	27.8%	72.1%	0.1%
April	25.4%	74.5%	0.0%
May	43.6%	56.4%	0.1%
June	30.9%	69.1%	0.1%
July	33.2%	66.7%	0.1%
August	30.3%	69.6%	0.1%
September	53.3%	46.7%	0.0%
October	44.6%	55.4%	0.0%
November	29.5%	70.4%	0.1%
December	42.2%	57.8%	0.0%
Total	35.2%	64.7%	0.0%

ADDITIONAL TABLES REQUESTED

TABLE TWO A

MWh of Coal, Natural Gas, and Other Generation Displaced by Wind Power in SPP's EIS Market in 2008

Hour	Displaced Coal (MWh)	Displaced Gas (MWh)	Displaced Other (MWh)	Total Displaced (MWh)
1	173,450	128,395	138	301,982
2	195,995	104,056	178	300,229
3	203,929	92,130	93	296,152
4	208,277	81,240	90	289,608
5	195,163	87,380	180	282,722
6	161,954	113,035	88	275,077
7	117,177	151,410	867	269,455
8	82,557	178,831	344	261,733
9	58,079	183,238	65	241,382
10	35,977	185,373	12	221,363
11	25,506	186,740	9	212,255
12	32,984	176,646	9	209,639
13	34,233	173,161	12	207,406
14	40,406	168,646	30	209,082
15	53,712	159,403	90	213,205
16	57,647	158,768	4	216,419
17	46,551	172,179	117	218,847
18	27,295	195,478	84	222,857
19	21,265	209,835	35	231,136
20	22,671	222,796	147	245,614
21	27,862	234,972	122	262,956
22	52,035	231,632	13	283,680
23	99,054	198,493	84	297,631
24	164,663	138,835	78	303,576
Total	2,138,442	3,932,673	2,889	6,074,004

TABLE TWO B
Percentage Displacement Calculation
for Table Two A

Hour	% Displaced Coal	% Displaced Gas	% Displaced Other
1	57.4%	42.5%	0.0%
2	65.3%	34.7%	0.1%
3	68.9%	31.1%	0.0%
4	71.9%	28.1%	0.0%
5	69.0%	30.9%	0.1%
6	58.9%	41.1%	0.0%
7	43.5%	56.2%	0.3%
8	31.5%	68.3%	0.1%
9	24.1%	75.9%	0.0%
10	16.3%	83.7%	0.0%
11	12.0%	88.0%	0.0%
12	15.7%	84.3%	0.0%
13	16.5%	83.5%	0.0%
14	19.3%	80.7%	0.0%
15	25.2%	74.8%	0.0%
16	26.6%	73.4%	0.0%
17	21.3%	78.7%	0.1%
18	12.2%	87.7%	0.0%
19	9.2%	90.8%	0.0%
20	9.2%	90.7%	0.1%
21	10.6%	89.4%	0.0%
22	18.3%	81.7%	0.0%
23	33.3%	66.7%	0.0%
24	54.2%	45.7%	0.0%
Total	35.2%	64.7%	0.0%



Southwest Power Pool, Inc.

MARKET MONITOR

Report to the Oversight Committee

25 March 2009

Staffing

- **Market Design**
 - The Analyst I position has been filled.
 - The lead engineering position continues to be open. A candidate for this position is under consideration.
- **Market Monitoring**
 - Initial interviews for the Market Analyst II position have been completed. Second interviews for top candidates are proceeding.

Activity Update

- **Federal Energy Regulatory Commission (FERC)**
 - The VRL discussion between Golden Spread, Xcel, and SPP with FERC facilitation has resulted in a complete resolution of all issues and the settlement has been accepted by FERC.
 - Market Monitoring is providing weekly price reports as requested by FERC staff
 - One FERC "Hotline" dispute is currently open
- **Market Design**
 - The Congestion Hedge Task Force (chaired by Keith Sugg) has agreed that changes are necessary to allow the congestion hedge to provide comparable load hedging to the self-commitment decision.
 - New market education sessions for the MWG have been conducted on Market Structure and Products, Resource Qualification, Market Timeline, Market Functions, Energy Transactions and Market Mitigation. Two or three additional education sessions per month will be conducted through July. The MWG with support from SPP staff will be preparing the new markets protocols. The IT system RFP to support the new markets is currently scheduled for release in February 2010.
 - The Cost Benefit Task Force is in the final stage of preparing a report on the cost benefit of future market development. The report includes Nebraska entities and the portion of Missouri that was acquired by Kansas City Power & Light. The report is due to be presented to the Market and Operating Policy Committee, Regional State Committee, and Board of Directors during April.
 - Market Monitoring is conducting an in-depth review of the existing Market Mitigation system and potential alternatives that are in use by other RTOs. This will result in a comprehensive market mitigation plan for the existing EIS market and all future markets including the Day-Ahead and ancillary services markets.

Regulatory

- Tariff changes for the Market Monitoring and other sections to comply with FERC Order 719 have been reviewed by MWG and RTWG. Only two functional activities require significant changes: posting of offers; and the creation of a web page to post bilateral offers for purchases and sales.
- Offer cap maintenance and implementation will be transfer from MMU to SPP RTO in compliance with Order 719.
- FERC staff from the OEMR section (*Office of Energy Market Regulation*) visited SPP to establish coordination procedures for MMU recommended market rule changes under FERC Order 719.
- FERC audit of SPP RTO is still open but there does not appear to be any Market Monitoring issues under consideration.

Infrastructure

- Market Monitoring continues to work with SPP Data Services group on the implementation of a data warehouse and business intelligence tool. Components of the system that supports analysis of Resource performance and offer curve are scheduled for completion by mid summer.
- MDA will be moved to new offices in west Little Rock on about May 1

Other

SPP staff is currently developing an RFP for External Market Advisor services as directed by SPP Board of Directors with a target new contract start date of January 1, 2010. A schedule and concept will be available for Oversight Committee review.

Respectfully submitted,

Alan McQueen
Manager, Market Monitoring and Analysis

Bylaws revisions for Corporate Governance Committee
December 10, 2008 March 5, 2009
March 10, 2009 follow-up

Southwest Power Pool, Inc.

B Y L A W S

3.16 Compliance with Membership Requirements

Compliance monitoring of Members and Staff shall be performed to ensure compliance with all requirements of Membership. Certain SPP compliance monitoring and enforcement functions, as detailed in Section 9.0, shall be performed in concert with related ERO programs, and will be overseen by the Regional Entity Trustees. Other monitoring functions shall be provided by appropriate SPP staff under the oversight of the Oversight Committee and the Board of Directors. Compliance monitoring shall be an after-the-fact investigative and assessment function.

Monitoring functions shall include but are not limited to:

- (a) Investigation of all reports or discoveries of non-compliance with approved Bylaws, Regional Criteria, OATT, and agreements between SPP and its Members,;
- (b) Obtaining all information needed to investigate all facets of possible non-compliance with Membership requirements;
- (c) Performance of in-depth reviews of operations in order to investigate non-compliance with Membership requirements upon approval from the Oversight Committee;
- (d) Comprehensive audits when recurring issues covering a broad spectrum of violations of Membership requirements are determined and documented;
- (e) Imposition of financial penalties and/or sanctions for non-compliance associated with the results of investigations or audits pursuant to approved standards, policies and/or Criteria;
- (f) Confirmation that SPP is conforming to its own Regional 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 or appeals; and
- (h) Coordination of policy modifications to clearly define requirements, and penalties in order to objectively monitor compliance with Membership requirements.

3.17 Market Monitoring

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

The market monitoring ~~entity unit~~ shall ~~be selected by and~~ report to the Board of Directors. Any public reports submitted shall be ~~concurrently~~ provided to the Board of Directors and concurrently to 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.

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;
- (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; and
- (f) Ensuring that SPP's involvement in markets does not discriminate in favor of any market participant or its own interests; and
- (g) Developing—Recommend plans for mitigating market power, subject to appropriate regulatory approval.

6.4 Oversight Committee

The Oversight Committee (OC) shall be comprised of three members from the Board of Directors.

The Board of Directors shall appoint the representatives of the OC ~~at the regular meeting of the Board of Directors immediately following each annual meeting of Members.~~ Each representative of the OC 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 OC shall meet as needed, provided that a quorum, as defined in these Bylaws, is present. The OC shall report to the Board of Directors following each OC meeting with respect to its activities and with such recommendations, as the OC deems necessary.

The responsibilities of the Oversight Committee shall include:

- (a) Oversee the process of monitoring compliance to SPP and NERC policies other than that assigned to the Regional Entity Trustees under these Bylaws;
- (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 Regional Criteria changes necessary for enforcement of mandatory compliance and in response to unclear enforcement provisions of Regional Criteria;
- (e) Grant specific additional authority to the Staff responsible for the oversight monitoring function when needed to perform challenging investigations;
- (f) Oversee the Internal Audit function and receive regular reports, except for that work associated with SAS70 Audit requirements;
- (fg) Complete a self-assessment annually to determine how effectively the OC is meeting its responsibilities; and
- (gh) Perform such other functions as the Board of Directors may delegate or direct.

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 as relates to SAS70 Audit requirements;
- (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;
- (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.