

**Southwest Power Pool
BOARD OF DIRECTORS MEETING
D/FW Airport Hyatt Hotel – Dallas, Texas
July 17, 2001**

- Summary of Action Items -

1. Approved minutes of the February 20, 2001 Board of Directors meeting as presented.
2. Approved the addition of a Staff position of Vice President, Finance for immediate filling.
3. Approved 2001 funding of \$500,000 for the SPP Retirement Plan and \$237,986 for the retiree medical coverage of SPP employees retiring at the Normal Retirement Date.
4. Approved seeking rehearing of the July 12, 2001 FERC Order on Dockets RT01-34-000 and RT01-34-002 for the purpose of protecting legal rights.
5. Supported an effort to form a super-regional RTO including both the Midwest and the Southeast and that this idea be pursued in parallel fashion in FERC's Southeast mediation and separately with entities in the Midwest.
6. Approved completion of the design/build phase of the market settlement project with Accenture to provide market based ancillary services under the SPP regional tariff.
7. Approved delay of market readiness classes until the next Board of Directors meeting.
8. Agreed to a next meeting on August 13, 2001 in Dallas.

**Southwest Power Pool
BOARD OF DIRECTORS MEETING
D/FW Airport Hyatt Hotel – Dallas, Texas
July 17, 2001**

Agenda Item 1 - Administrative Items

SPP Chair Mr. Gary Voigt called the meeting to order at 11:00 a.m. and called for a round of introductions. The following directors were in attendance or represented by proxy:

- Mr. Gene Argo, Midwest Energy, Inc.;
- Ms. Betsy Carr, proxy for Ms. Kim Casey, Dynegy Marketing and Trade;
- Mr. David Christiano, City Utilities of Springfield, MO;
- Mr. Harry Dawson, OK Municipal Power Authority;
- Mr. Michael Deihl, Southwestern Power Administration;
- Mr. Jim Eckelberger, non-stakeholder director;
- Mr. Tom Grennan, Western Resources;
- Mr. Greg Geisler, proxy for Ms. Trudy Harper, Tenaska Power Services;
- Mr. Quentin Jackson, non-stakeholder director;
- Mr. John Marschewski, Southwest Power Pool, Inc.;
- Mr. Tom McDaniel, non-stakeholder director;
- Mr. Stephen Parr, KS Electric Power Cooperative;
- Mr. J. M. Shafer, Western Farmers Electric Cooperative;
- Mr. Harry Skilton, non-stakeholder director;
- Mr. Richard Spring, Kansas City Power & Light;
- Mr. Larry Sur, non-stakeholder director;
- Mr. Mel Perkins, proxy for Mr. Al Strecker, OG+E;
- Mr. Michael Desselle, proxy for Mr. Richard Verret, American Electric Power; and
- Mr. Gary Voigt, Chair, Arkansas Electric Cooperative Corp.

There were 39 persons in attendance representing 24 members, 14 guests and 1 regulatory agency (Attendance List – Attachment 1). The Secretary received 3 proxy statements (Proxies – Attachment 2). Mr. Voigt referred to the agenda (Agenda – Attachment 3) and announced a change in order as well as deletion of some items due to recent developments. Mr. Voigt asked for any modifications to draft minutes of the February 20, 2001 meeting or a motion for approval (2/20/01 Meeting Minutes – Attachment 4). Mr. Dawson moved that the minutes be approved as presented. Mr. Jackson seconded this motion, which passed unopposed.

Agenda Item 2 – Secretary's Report

Mr. Voigt called on Mr. Brown (SPP) to give the Secretary's Report. Mr. Brown informed the Board of Directors of two e-mail votes taken at the request of the Commercial Practices Committee with concurrence by Mr. Voigt. Motions were made by Ms. Harper and seconded by Mr. Voigt. A vote was sent out on April 12, 2001 with a due date of April 19, 2001 concerning tariff changes for AEP's zone rate relative to implementation of retail access in Texas. The vote was 15 in favor and 0 against. Another e-mail vote was requested on May 1, 2001 with a due date of May 4, 2001

concerning tariff changes recommended by the Regional Tariff Working Group necessary to establish general business practices for implementation of retail access in Texas. The vote was 17 in favor and 0 against. A third e-mail vote was taken May 17, 2001 to certify Duke Energy North America McClain Generation Facility as a SPP Control Area with the concurrence of and motion by Mr. Voigt and second by Mr. Marschewski. The vote was 18 in favor and 0 against.

Agenda Item 3 – Strategic Planning Actions

Mr. Voigt asked Mr. Marschewski to report on strategic planning actions. Mr. Marschewski and Mr. Brown, SPP officers, recommend the Board of Directors approve addition of a Staff position of Vice President, Finance for immediate filling (Staff Position Recommendation – Attachment 5). Mr. Marschewski said election of this incumbent as an officer would be delayed at this time due to certain constraints in the articles of incorporation. This person along with himself, Mr. Brown, and Mr. Monroe would form an executive team with a consolidated management approach. Mr. McDaniel moved to approve this recommendation. Mr. Grennan seconded and the motion passed with one vote in opposition from Ms. Carr.

Agenda Item 5 – Employee Benefits Working Group Report

Mr. Marschewski presented a recommendation from the Employee Benefits Working Group concerning SPP's Retirement Plan and Retiree Medical Coverage (EBWG Recommendation – Attachment 6). The EBWG recommends the Board of Directors approve 2001 funding of \$500,000 for the SPP Retirement Plan for 2001 and \$237,986 for the retiree medical coverage of SPP employees retiring at the Normal Retirement Date. Mr. Shafer moved to approve the recommendation as presented. Mr. Spring seconded. The motion passed with Ms. Carr voting in opposition and stating that she would have preferred approving the minimum funding computed by the actuary for 2001 of \$337,671.

Agenda Item 2 – Secretary's Report - Continued

Mr. Voigt called on Mr. Brown to present a report on the July 12, 2001 FERC order on SPP's RTO filing (FERC Order on SPP's RTO Filing – Attachment 7). Mr. Brown stated that FERC had issued two orders specifically related to SPP: RTO1-100 order initiating Southeast mediation and RTO1-34 order rejecting the RTO filings. Mr. Brown said SPP was ordered into mediation for 45 days beginning today, July 17, 2001 with the goal of establishing a single Southeastern RTO. Mr. Brown continued by outlining a decision making tree consisting of 6 questions to be considered:

- Seek rehearing?
- Stand fast or change?
- With or without Entergy?
- Southeast or Midwest?
- Organizational structure?
- Maintain current projects?

Mr. Brown addressed each question and then presented three organizational options that may satisfy FERC's scope and configuration requirements.

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•Option 1 – Seams Agreement

- 1-stop shopping @ non-pancaked rates with ATC and congestion coordination
- Most expedient
- Maintains most autonomy
- MISO/ARTO agreement already available
- FERC has accepted MISO/ARTO
- Probably would not satisfy Massey

•Option 2 – Super-regional RTO

- Umbrella RTO for security coordination, ATC oversight and market rule consistency
- 1-stop shopping @ non-pancaked rates
- Discussed in FERC collaborative meetings
- Maintains individual organizations
- Preserves tariff agreements
- Creates platform for evolutionary combination

•Option 3 – Single organization

- Moves immediately to end-state, but not necessarily quickest
- Tough debate on ownership and profit structure
- Destroys settled issues among non-jurisdictional members
- Theoretically, most cost efficient
- Largest potential for stranded cost and disruption

Mr. Brown presented a two fold recommendation: 1) to seek rehearing for the purpose of protecting legal rights and 2) to pursue Option 2, the formation of a Super-regional RTO including both the Midwest and the Southeast. Mr. Brown stated that SPP needed direction from the Board of Directors today to take to the mediation session. After discussion, Mr. Dawson moved that SPP Staff and its legal counsel be directed to file a request for rehearing on the July 12 orders in dockets RTO1-34-000 and RTO1-34-002. Mr. Shafer seconded and the motion passed unopposed. Mr. Brown stated that the Commission's actions, if intended to minimize seams problems, did exactly the opposite with respect to the SPP region by creating a seam right in the heart of the region. Mr. Brown then asked for consensus to proceed in the direction of Option 2, a Super-regional RTO including both the Midwest and the Southeast and that this idea be pursued in parallel fashion in the Southeast mediation and separately with entities in the Midwest. The Board of Directors supported this direction.

Mr. Brown continued with his presentation addressing whether to maintain current efforts related to the market settlement project. He reported 90% completion of SPP's project with Accenture and estimated costs involved if delayed or terminated. After discussion, Mr. Dawson moved that SPP complete the design/build project for \$1.75 million with Accenture. Mr. Perkins seconded and the motion passed unopposed with Mr. Desselle and Mr. Dawson abstaining. Mr. Dawson moved to delay market readiness classes and discussions until the next Board of Directors meeting. Mr. Desselle seconded and the motion passed with Mr. Jackson and Mr. Eckelberger voting in opposition, both stating their preference that SPP continue action on this project

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July 17, 2001

without delays in order to have a product ready when needed. Staff was directed to provide more information regarding product ownership and other legalities of this project.

The Board of Directors agreed to the next meeting on August 13, 2001 at the DFW Hyatt Hotel to discuss progress on the negotiations.

Agenda Item 6 – Crescent Moon Report

Mr. Voigt called on Mr. Waggoner to present a report from the Crescent Moon RTO (Crescent Moon Report – Attachment 8). Mr. Waggoner referred to the report distributed with meeting background materials laying out consolidation and coordination approaches for SPP and Crescent Moon. Mr. Waggoner suggested SPP and Crescent Moon have similar approaches and would interact well together. Mr. Waggoner encouraged everyone to read the report and to express any concerns to his organization about the consolidation strawman documents. Mr. Marschewski stated that Staff will continue negotiations and a report will be provided to the Board of Directors at the next meeting.

Adjournment

With no further business, Mr. Voigt thanked everyone for their participation and adjourned the meeting at 3:04 p.m.

Nicholas A. Brown, Corporate Secretary

**Southwest Power Pool
BOARD OF DIRECTORS MEETING
Dallas/Ft. Worth Hyatt Regency Airport
July 17, 2001**

Attendance

Michael Desselle	American Electric Power
Gary Voigt	Arkansas Electric Cooperative
Betsy Carr	Dynegy Marketing & Trade
Jim Eckelberger	
Quentin Jackson	
Richard Spring	Kansas City Power & Light
Tom Grennan	Western Resources
Stephen Parr	KEPCo
Tom McDaniel	
Gene Argo	Midwest Energy, Inc.
Deborah Jacobson	Oklahoma Corporation Commission
Mel Perkins	OG+E Electric Services
Harry Dawson	Oklahoma Municipal Power Authority
Harry Skilton	
John Marschewski	Southwest Power Pool
David Christiano	City Utilities of Springfield
Mike Deihl	Southwestern Power Administration
Larry Sur	
Greg Geisler	Tenaska Power Services Co.
J. M. Shafer	Western Farmers Electric
Steve Owens	Entergy
Rick Riley	Entergy
Beth Bradley	Mirant
Larry Wells	Cleco Corporation
Carroll Waggoner	Sunflower Electric Coop.
Ron Lanclos	Oxy
Robin Kittel	Xcel Energy
Gerry Burrows	Kansas City Power & Light
Mark MacDonald	Cleco Corporation
Carl Monroe	Southwest Power Pool
Nick Brown	Southwest Power Pool
Frank Royster	Southwest Power Pool
Mikel Kline	KEPCo
Bill Wylie	OG+E Electric Services
Jana Phillips	Calpine Corporation
Mike Proctor	Missouri Corporation Commission
Bob Harris	Western Area Power Administration
Henry Knapp	Crescent Moon
Alan Heintz	Crescent Moon

A. M. Strecker
Executive Vice President and
Chief Operating Officer

OGE Energy Corp.
PO Box 321
Oklahoma City, Oklahoma 73101-0321
405-553-3216
www.oge.com



July 16, 2001

Southwest Power Pool
415 North McKinley, #700 Plaza West
Little Rock, AR 72205-3020

This letter authorizes Mel Perkins to vote my proxy at the SPP
Board Meeting, July 17, 2001.

A handwritten signature in cursive script, appearing to read "A M Strecker".

A M Strecker

Robertson, Cheryl

From: Marschewski, John
Sent: Friday, July 20, 2001 4:07 PM
To: Robertson, Cheryl
Subject: FW: Proxy for 7/17/01 Board Meeting

-----Original Message-----

From: Kim.Casey@dynegy.com [mailto:Kim.Casey@dynegy.com]
Sent: Monday, July 16, 2001 6:57 PM
To: Marschewski, John
Cc: Betsy.Carr@dynegy.com
Subject: Proxy for 7/17/01 Board Meeting

Hi John,

Due to the opening of the ERCOT market this coming Friday, I cannot be present for the Board meeting tomorrow. Betsy Carr, of Dynegy, has my proxy for the referenced meeting.

Best regards,
Kim

Robertson, Cheryl

From: Brown, Nick
Sent: Thursday, June 21, 2001 9:17 AM
To: Robertson, Cheryl
Subject: FW: SPP Board Meeting 7/17

-----Original Message-----

From: Verret, Richard
Sent: Thursday, June 21, 2001 8:55 AM
To: Brown, Nick
Cc: Desselle, Michael
Subject: SPP Board Meeting 7/17

Nick, This note is to apprise you that I will not be able to attend the next SPP Board Meeting due to a meeting conflict in another part of the country. Michael Desselle has agreed to take my place and will represent AEP at this meeting.

TENASKA® POWER SERVICES Co.

1701 E. Lamar Boulevard, Suite 100
Arlington, Texas 76006 USA
817-462-1521
FAX: 817-462-1035

July 16, 2001

Mr. Gary Voight
President of the Board
Southwest Power Pool
415 North McKinley
Little Rock, AR 72205-3020

Dear Gary:

I will be unable to attend the SPP Meeting on Tuesday, July 17, 2001. Greg Geisler will be attending the meeting and will hold my proxy for all voting matters.

Sincerely,


Trudy Harper
President

**Southwest Power Pool
BOARD OF DIRECTORS MEETING**

Tuesday, July 17, 2001

**Hyatt Hotel – Dallas/Ft. Worth Airport
Nova Room – East Tower**

- A G E N D A -

11 a.m. – Call to Order

1. Administrative Items Gary Voigt
2. Secretary’s Report Nick Brown
3. Strategic Planning Actions John Marschewski
4. Commercial Practices Committee Report Trudy Harper
5. Employee Benefits Working Group Report Harry Dawson
6. Crescent Moon Report Alan Heintz
7. NERC Board of Trustees Report Tom Grennan
8. Engineering & Operating Committee Report Mel Perkins
9. Operations Report Carl Monroe

3 p.m. – Adjournment

**Southwest Power Pool
BOARD OF DIRECTORS MEETING
D/FW Airport Hyatt Hotel – Dallas, Texas
February 20, 2001**

- Summary of Action Items -

1. Approved minutes of the November 6, 2000 Board of Directors meeting as modified.
2. Approved recommended actions by the Commercial Practices Committee to modify Attachment P, Next Hour Market, Attachment Y, and Section 13.7 of SPP's Open Access Transmission Tariff.
3. SPP Staff was directed to develop a recommendation to the Board of Directors concerning adding a chief financial officer.

**Southwest Power Pool
BOARD OF DIRECTORS MEETING
D/FW Airport Hyatt Hotel – Dallas, Texas
February 20, 2001**

Agenda Item 1 - Administrative Items

SPP Vice-Chair Mr. Tom Grennan called the meeting to order at 11:00 a.m. and called for a round of introductions. The following directors were in attendance or represented by proxy:

- Mr. Gene Argo, Midwest Energy, Inc.;
- Ms. Betsy Carr, proxy for Ms. Kim Casey, Dynegy Marketing and Trade;
- Mr. David Christiano, City Utilities of Springfield, MO;
- Mr. Harry Dawson, OK Municipal Power Authority;
- Mr. Michael Deihl, Southwestern Power Administration;
- Mr. Jim Eckelberger, non-stakeholder director;
- Mr. Tom Grennan, Western Resources;
- Ms. Trudy Harper, Tenaska Power Services;
- Mr. Quentin Jackson, non-stakeholder director;
- Mr. John Marschewski, Southwest Power Pool, Inc.;
- Mr. Tom McDaniel, non-stakeholder director;
- Mr. Ron McNamara, ENRON Power Marketing, Inc.;
- Mr. John E. Oxendine, non-stakeholder director;
- Mr. Stephen Parr, KS Electric Power Cooperative;
- Mr. J. M. Shafer, Western Farmers Electric Cooperative;
- Mr. Harry Skilton, non-stakeholder director;
- Mr. Richard Spring, Kansas City Power & Light;
- Mr. Al Strecker, OG+E;
- Mr. Larry Sur, non-stakeholder director;
- Mr. Richard Verret, American Electric Power; and
- Mr. Gary Voigt, Chair, Arkansas Electric Cooperative Corp.

There were 45 persons in attendance representing 18 members, 19 guests and 4 regulatory agencies (Attendance List – Attachment 1). The Secretary received 1 proxy statement (Proxy – Attachment 2). Mr. Grennan referred to the agenda (Agenda – Attachment 3) and asked for necessary modifications to draft minutes of the November 6, 2000 meeting or a motion for approval (Minutes – Attachment 4). Mr. Nick Brown (SPP) referred to omission of an action item in the summary related to directing the Regional Tariff Working Group to consider formula rates, revenue allocation and functionalization of facilities with an interim report in February and a final report in May. With this addition, Richard Verret moved that the minutes be approved as amended. Harry Skilton seconded this motion, which passed unopposed.

Agenda Item 3 – Industry Issues Report

Mr. Grennan called on Mr. John Marschewski, SPP president, to report on industry issues. Mr. Marschewski touched on areas of interest in the industry, including: Federal Energy Regulatory Commission (FERC) activities, the Midwest ISO's situation, the California retail market, state retail access implementation schedules, and federal energy legislation (Industry Issues Report – Attachment 5). Mr. Marschewski said that FERC is committed to RTO development and that at their encouragement; SPP is working on seams issues. Mr. Marschewski noted that many states are slowing down retail access implementation schedules due to fear generated by California's experience.

Agenda Item 2 – Secretary's Report

Mr. Voigt continued the meeting asking Mr. Nick Brown for the Secretary's Report (Secretary's Report – Attachment 6). Mr. Brown reported the SPP RTO Filing (RT01-34) of October 13, 2000 was still pending. Protests were filed by various member/participants including Oklahoma Corporation Commission not listed in the attached presentation. SPP responded to these protests December 5, 2000. Mr. Brown touched on issues concerning the Alliance RTO Order which made our RTO filing look favorable, reported affirmative results of the recent email vote concerning \$1.6M expansion of the market settlement system, and an overview of cost and usage comparisons of transmission service in the last few years. Mr. Brown informed the Board of Directors of an oversight in not filing service agreements in a timely manner. Even though these agreements had been exercised to all parties' satisfaction a sizeable penalty was imposed by FERC to be returned to three customers. One of the three customers involved waived the required payment.

Mr. Brown reported being on schedule and on budget with market settlement and explained the progress of interim financing with Firststar and privately placed financing (Principal Mutual Life) through SPP Capital Partners. Mr. Brown informed the Board that Principal Mutual Life might require a covenant with limitations because of concerns about assessment risks. It was decided that the term sheet be submitted to the Finance Working Group and then to the Board of Directors for approval prior to execution. Due to the complexity and magnitude of financing involved with this project and the continued financial activities of SPP, Ms. Trudy Harper stated there is a real need for a chief financial officer in the SPP organization. After some discussion, it was agreed that SPP Staff should develop a recommendation concerning this position for consideration at the May meeting.

Mr. Brown called attention to a draft document on an inter-RTO cooperation agreement between the SPP and the Alliance RTO (Cooperation Agreement - Attachment 7). Mr. Brown stated that the agreement was consistent with direction of the Board of Directors

concerning seams issues and that plans were to execute the agreement in the near future pending fine-tuning with the Alliance RTO. Mr. Brown encouraged comments be sent to either he or Mr. Marschewski as soon as possible. Mr. Brown stated that similar negotiations are taking place with Desert Star RTO as well.

Mr. Brown announced plans to have a Board of Directors retreat on May 7 – 8 at the Capitol Hotel, Little Rock, Arkansas, facilitated by Mr. Phil Sutphin, a retired Alltel executive.

Agenda Item 4 – Commercial Practices Committee Recommendations

Ms. Trudy Harper, Chair of Commercial Practices Committee (CPC) was asked to report on activities of her committee. Ms. Harper presented recommended modifications to SPP's regional tariff from the Regional Tariff Working Group for Board of Directors approval and subsequent filing with FERC (RTWG Tariff modifications – Attachment 8). These modifications were concerning: Attachment P, Next Hour Market, Attachment Y, Section 13.7, Sections 2.2 and 22. Ms. Harper moved to approve these recommended tariff modifications and Mr. Tom Grennan seconded this motion. Following discussion, Ms. Harper amended her motion to consider sections 2.2 and 22 in a separate vote due to concerns on these sections. Mr. Grennan concurred with this amendment and the motion passed unopposed. Ms. Harper then moved to approve sections 2.2 and 22. Ms. Betsy Carr (Dynergy) took issue with the tariff change process and stated that the RTWG procedures were inadequate due to votes taken without prior notice, minutes inaccurately reflected action on these tariff sections, and that the RTWG was not aware of what it had approved for recommendation to the CPC. Though Mr. Ricky Bittle, RTWG Chair, and Mr. Nick Brown took issue with Ms. Carr's statements, the motion failed for lack of a second. Ms. Harper stated that she would review this issue with RTWG and CPC and report back to the Board of Directors, possibly seeking an email vote on modifications on these tariff sections.

Mr. Ricky Bittle (AECC) reported on general tariff issues (RTWG Report – Attachment 9). Mr. Bittle stated that the RTWG passed a resolution to continue with a single rate class for network service customers and point to point customers across the SPP region. Mr. Bittle informed the Board of Directors of this position due to the potential conflict of this position with the desire of the Texas commission staff for six rate classes for retail service customers. Ms. Christine Ryan (ETEC) stated that the issue of revenue for their facilities is still pending. Mr. Bittle said there were transition issues that needed to be addressed before the RTWG could accomplish the Board's November directive.

Mr. Ron McNamara (Enron) reported on Congestion Management Systems Working Group (CMSWG). Mr. McNamara presented a three-part recommendation including cornerstones for real-time market design, the forward market, and conversion for

existing transmission rights (CMSWG Recommendations – Attachment 10). Mr. McNamara presented the following real-time market design cornerstone principles:

The dispatcher will create and use an aggregate generation stack to match supply/demand, manage transmission constraints and ensure reliability.

RTO will accept:

- balanced and unbalanced energy schedules,
- covered/uncovered transmission schedules.

Dispatcher will use locational marginal pricing to manage congestion.

- Prices will mirror what the dispatcher did – they will be based on actual generation and load.

RTO responsible for reliability, scheduling, load forecasting.

Transmission rights function as financial rights.

Minimize the RTO's need to take a financial position.

Ms. Harper suggested voting on each set of cornerstones separately and moved to approve cornerstones for the real-time market design as presented. Mr. McNamara seconded this motion. After discussion, it was determined that this issue was not ready for a vote by the Board of Directors and Ms. Harper withdrew her motion.

Consideration of the all the cornerstone principles was tabled for further debate by the CMSWG. Ms. Harper said she would continue to work with CMSWG and suggested any questions on these issues be sent to Mr. McNamara or Ms. Mary McAllister, Chair of CMSWG.

Agenda Item 5 – Engineering & Operating Committee Recommendations

Mr. Mel Perkins, Chair of Engineering & Operating Committee (EOC), was asked to report on activities of his committee. Mr. Perkins informed the Board of Directors of the Control Area Certification process as outlined in North American Electric Reliability Council (NERC) Criteria 8 and SPP Control Area Criteria and Certification Procedures (Control Area Certification – Attachment 11). Ms. Betsy Carr took issue with SPP Criteria in addition to NERC Criteria. Mr. Carl Monroe explained that SPP was not modifying NERC Criteria but that SPP does have added requirements for control areas. Mr. Perkins stated that a team was being formed to evaluate a current request for control area certification. Ms. Harper asked who made this request and Mr. Monroe stated his preference of checking with this company prior to divulging their name.

Agenda Item 6 – NERC Board of Trustees Report

Mr. Voigt asked Mr. Tom Grennan (Western Resources) to report on NERC activities. Mr. Grennan informed the Board of Directors of the transition from NERC to the North American Reliability Organization (NAERO) and formation of three task groups: governance, funding and compliance (NERC Board of Trustees – Attachment 12). Mr. Grennan also indicated that the NERC Board of Trustees approved development of the Flow Impact Study Tool, which should be ready by summer 2001 to make interregional

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February 20, 2001

transmission information available in real time.

Agenda Item 7 – Operations Report

Mr. Carl Monroe presented SPP statistics concerning:

- Transmission service reservation volume,
- Transmission service volume,
- Service availability, and
- Transmission loading relief events.

(Operations report – Attachment 13).

Agenda Item 8 – Ice Storm Damage Report

Mr. Richard Verret and Mr. Voigt reported on the severity of ice storm damage during two major events in December.

Agenda Item 9 – State Regulator Comments

Mr. Voigt then opened the floor for comments from regulatory agency representatives. Mr. Ernest Johnson, Director of the Public Utility Division of Oklahoma Corporation Commission said that he enjoyed the dialogue and felt better about SPP's governance structure and appreciated SPP Staff's position in debating various issues with such a diverse membership.

Adjournment

With no further business, Mr. Voigt thanked everyone for their participation and adjourned the meeting at 3:04 p.m.

Nicholas A. Brown, Corporate Secretary

Southwest Power Pool
BOARD OF DIRECTORS MEETING
July 17, 2001

Staff Position Recommendation – Vice President, Finance

Background

At the February 20, 2001 Board of Directors meeting, Ms. Trudy Harper recognized the real need for a chief financial officer in the SPP Staff organization. Following discussion, Staff was directed to develop a recommendation concerning such a position for consideration of the Board of Directors at its May meeting.

Analysis

Over the past 7 years, the SPP annual budget has grown from under \$2 million to nearly \$20 million with an increase of over \$7 million in the last year. During the same period, Staff grew from 14 employees to 107 currently, with 121 approved by year-end. While Staff services are primarily technical in nature, administrative and financial responsibilities have grown exponentially over the past year due primarily to growth in tariff services and the \$25 million private debt placement to cover market settlement functionality costs. Existing Staff with technical and business backgrounds have managed financial matters in the past with outside financial and legal assistance. However, the time has come for a senior manager to focus full-time attention to SPP's finances. Staff has developed the attached job description for a position of Vice President, Finance, reporting to the President. Compensation for this position is not included in the approved staff count or the 2001 administrative budget. Staff is in the process of working with Hewitt & Associates on a complete compensation program review and the above position is going through evaluation. SPP's Articles of Incorporation state that the organization's officers include the President and the Secretary. These articles need to be modified by the Membership to expand the number of officers to be elected by the Board of Directors. This can be accomplished at the November meetings.

Recommendations

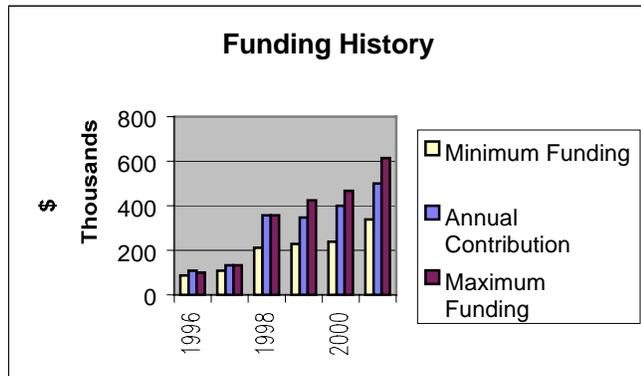
SPP officers John Marschewski and Nick Brown recommend that the Board of Directors approve the addition of a Staff position of Vice President, Finance (Compensation Level 70) for immediate filling, with the intent being for the Board of Directors to consider election of this incumbent as an officer at its November meeting.

**Southwest Power Pool
EMPLOYEE BENEFITS WORKING GROUP
2001 Annual Expenses for
SPP Retirement Plan and Retiree Medical Coverage
Recommendation to the Board of Directors
July 17, 2001**

Background

The SPP Employee Benefits Working Group (EBWG) is charged to review and recommend to the SPP Board of Directors the annual SPP Retirement Plan and Retiree Medical Coverage expense.

In the 2001 approved budget, SPP budgeted to contribute \$500,000 to the SPP Retirement Fund, based on adding 24 employees to the staff in 2000 for a year-end total of 78. The SPP actuary computed the 2001 minimum required contribution requirements and maximum tax-deductible contribution at \$337,671 and \$614,944 respectively. These levels are based on 2000 staff salaries, an annual salary growth of 4% and an annual investment return on plan assets of 7%.



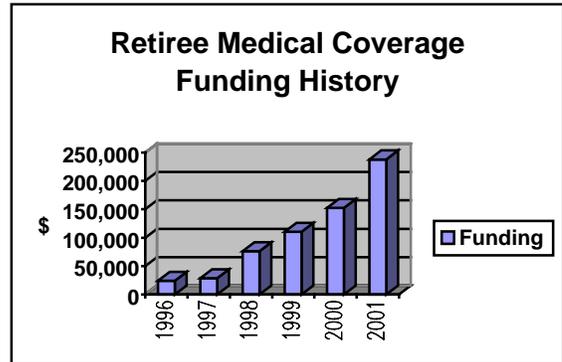
To remain within the approved budget, the EBWG is recommending contributing \$500,000 to the SPP Retirement Plan for 2001. The total liability, if the plan were terminated on January 1, 2001, is estimated to be \$1,334,000, which compares to assets of \$1,427,000 on Dec 31, 2000. To make the plan fully funded (on a termination basis) by the end of 2001 a contribution of about \$332,000 would be needed to cover the employee's benefits accrual in 2001.

These numbers do not include the value of the subsidized early retirement feature, which applies when an active employee retires after age 55. It does not apply when an employee terminates before age 55. The current value of this subsidy, assuming that it would apply to everyone who currently has ten or more years of service, is about \$600,000.

In 2000, the Board approved a contribution of \$400,000 to the Plan. In two of the previous four years, SPP contributed at the maximum tax-deductible limit.

The 2000 investment return for the retirement funds was -6.1%.

In 1995, the Board of Directors approved retiree medical coverage for the SPP employees who retire at their Normal Retirement Date as defined in the SPP Retirement Plan. The SPP actuary computed the net periodic post retirement benefit cost for this benefit in 2001 at \$237,986. This computation is based on a 7% discount rate, and a 7% investment return on plan assets, and retirement at age 65. The health care cost trend was assumed to increase an average of 8% for 5 years and 5% thereafter.



The 2000 investment return for the retiree medical coverage funds was -8.06%.

\$226,000 is budgeted for retiree medical coverage in the 2001 approved budget.

Recommendation

Approve the 2001 funding of \$500,000 for the SPP Retirement Plan and \$237,986 for the retiree medical coverage of SPP employees retiring at the Normal Retirement Date.

Approved: Employee Benefits Working Group 04/17/2001

Action Requested: Approve Recommendation

FERC Order on SPP's RTO Filing

Board of Directors Meeting
July 17, 2001

FERC's July 12 Orders

- **RTO1-100**:
Order initiating Southeast mediation
- **RTO1-34**:
Order rejecting RTO filings

Mediation Order

- Resolution of issues for formation of single Southeastern RTO among parties
- SPP and Entergy may not be in same natural market
- SPP may look to Midwest, but should initially participate in Southeast
- 45 days beginning today (July 17)

RTO Order

- Rejected RTO filings on scope and regional configuration
- 203 filings dismissed without prejudice as "premature"
- No other characteristics discussed

Actions to Date

- Issued press release expressing disappointment, and quoting Massey and Breathitt
- Staff meeting
- Leadership meetings to establish scenario options
- Preliminary discussion with ALJ

Decisions to be Made

- Seek rehearing?
- Stand fast or change?
- With or without Entergy?
- Southeast or Midwest?
- Organizational structure?
- Maintain current projects?

Regional Values

- Governance with meaningful stakeholder input
- Non-jurisdictional participants
- Tariff (cost-shifting, transition, market)
- Asset utilization and cost recovery
- Open architecture
- Reliability Region
- Entergy MOU

Seek Rehearing?

- No...
 - Order becomes final with no right to question after 30 days
 - Does not show much resolve in filing
 - Most expedient; focuses energies on change
 - Most flexibility in mediation and negotiations

Seek Rehearing?

- Yes...
 - Preserves legal options
 - Aids our position in mediation and negotiation
 - Allows Breathitt to lobby colleagues
 - Cost of filing about \$10,000
 - No set time limit for FERC to act
 - If FERC rejects, 60 days to petition US Court of Appeals

Basis for Rehearing

- No factual support for rejection on scope
- Inconsistent with previous findings on SPP and ENTR
- Dramatic departure from prior policy
- Have not justified change through NOPR
- Previously refused to draw boundaries
- Inconsistent with approvals of smaller and less contiguous RTOs

Seek Rehearing?

- YES

- NO

Stand Fast or Change?

- Stand Fast...
 - Best supports consensus position
 - Good legal basis
 - Long and uncertain rehearing process
 - Challenges majority
 - Somewhat inconsistent with findings of strategic planning session

Stand Fast or Change?

- Change...
 - Upsets current implementation targets
 - Supports majority of Commissioners
 - More consistent with findings of strategic planning session
 - Most consistent with majority view of end-state
 - Most expedient at solving seams issues

Stand Fast or Change?

- **STAND FAST**

- **CHANGE**

With or Without Entergy?

- With Entergy...
 - Recognizes 60 years of system and relational evolution
 - Recognizes previous FERC directive
 - In fact internalizes transmission constraints and market activity
 - Minimizes split-state seams

With or Without Entergy?

- Without Entergy...
 - May aid in satisfying more member wishes
 - Ignores historical evolution
 - Forms seams inside SPP
 - Rejects recent efforts at resolving seams issues w/ Entergy

With or Without Entergy?

- **WITH ENERGY**

- **WITHOUT ENERGY**

Southeast or Midwest?

- Southeast...
 - Dependant on Entergy direction
 - Other participants least mobilized
 - Smallest of RTOs envisioned by FERC
 - TVA and Florida participation unknown
 - Good historic coordination (VST)
 - Good philosophical alignment

Southeast or Midwest?

- Midwest...
 - Participants most mobilized
 - Preferred by some members
 - Similar market structures and tariffs
 - Good historical coordination
 - Current and predicted market more advantageous
 - Largest RTO envisioned by FERC

Southeast or Midwest?

- SOUTHEAST

- MIDWEST

Organizational Structure

- Option 1 – Seams Agreement
 - 1-stop shopping @ non-pancaked rates with ATC and congestion coordination
 - Most expedient
 - Maintains most autonomy
 - MISO/ARTO agreement already available
 - FERC has accepted MISO/ARTO
 - Probably would not satisfy Massey

Organizational Structure

- Option 2 – Super-regional RTO
 - Umbrella RTO for security coordination, ATC oversight and market rule consistency
 - 1-stop shopping @ non-pancaked rates
 - Discussed in FERC collaborative meetings
 - Maintains individual organizations
 - Preserves tariff agreements
 - Creates platform for evolutionary combination

Organizational Structure

- Option 3 – Single organization
 - Moves immediately to end-state, but not necessarily quickest
 - Tough debate on ownership and profit structure
 - Destroys settled issues among non-jurisdictional members
 - Theoretically, most cost efficient
 - Largest potential for stranded cost and disruption

Organizational Structure

- OPTION 1
SEAMS AGREEMENT

- OPTION 2
SUPER-REGIONAL RTO

- OPTION 3
SINGLE ORGANIZATION

Maintain Current Projects?

- Yes...
 - Continues resource drain
 - Avoids demobilization costs
 - Establishes model for future
- No...
 - Suffer demobilization costs and time

Maintain Current Projects?

- Continue as planned...
 - \$1.75M remaining on design/build of \$21.25M total)
 - Run in October as planned @ \$356K/mo.
 - Extensive training sessions scheduled

Maintain Current Projects?

- Delay the project...
 - Incremental to completion cost of \$1.75M, ~\$1M on design/build plus \$0.9M on five month delay of run, assuming similar project scope
 - Include remobilization

Maintain Current Projects?

- Complete design/build, delay run...
 - \$1.15M plus maintenance of software licenses
 - Incremental to \$1.75M to complete design/build

Maintain Current Projects?

- Terminate project...
 - \$5.5M per contract to recover costs related to run

CMRTO
Crescent Moon Regional Transmission Organization



CMRTO

a group of nine electric transmission line owners (TOs) pursuing the feasibility and advisability of forming a regional transmission entity (RTE) to operate electric transmission assets in an area generally defined as the "Upper Midwest", including but not limited to the states of Kansas, Nebraska, South Dakota, North Dakota, Montana, Missouri, Minnesota and the Canadian province of Saskatchewan.

CMRTO Members

Basin Electric Power Cooperative (BEPC)	www.bepc.com
Corn Belt Power Cooperative (CBPC)	www.cbpcpower.com
Heartland Consumers Power District (HCPD)	www.hcpd.com
Minnkota Power Cooperative (MPC)	www.minnkota.com
Montana Dakota Utilities (MDU)	www.montana-dakota.com
Northwestern Public Service (NWPS)	www.northwestern.com
Saskatchewan Power Corporation (SPC)	www.saskpower.com
Sunflower Electric Power Corporation (SEPC)	www.sunflower.net
Western Area Power Administration (WAPA)	www.wapa.gov



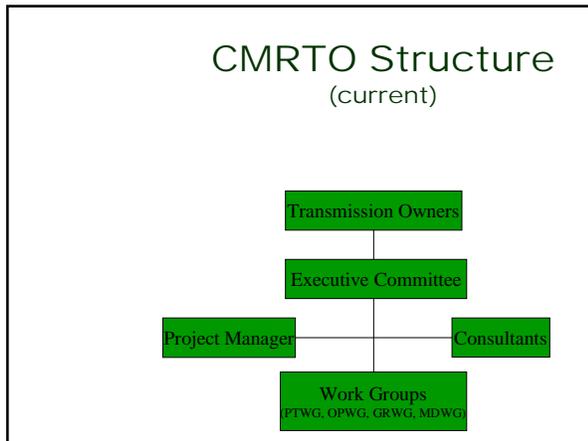
CMRTO Personnel

Executive Committee Members:

- BEPC - **Ted Humann (EC Vice Chair)**
- CBPC - **Ken Kuyper**
- HCPD - **Dave Westbrook**
- MPC - **Al Tschepen**
- MDU - **Gary Paulsen (OPWG Chair)**
- NWPS - **Dale Jepson/Dennis Wagner**
- SPC - **David Cotcher**
- SEPC - **Carroll Waggoner (EC Chair)**
- WAPA - **Bob Harris**

Support:

- Technical Consultant - **Alan Heintz**
- Counsel - **Tom Blackburn**
- Project Manager - **Henry J. Knapp**



- ### CMRTO Structure
- EC - Executive Committee
 - Carroll Waggoner, Chair
 - Ted Humann, Vice Chair
 - Governance & Regulatory Work Group
Noman Williams, Chair
 - Market Design Work Group
 - Gary Livermont, Chair
 - Operating & Planning Work Group
 - Gary Paulsen, Chair
 - Price & Tariff Work Group
 - Dan Klempel, Chair

CMRTO Facts

- 9 member transmission owners
- 7 states and 1 province
- 18,250 miles of transmission line (>115 kV)
- 52,000 gWh annual energy
- 6,550 mW (12 month coincident peak)
- \$1.6 billion transmission plant
- \$211 million net annual revenue requirement

- ### CMRTO Alternatives
- independent CMRTO
 - SPPRTO
 - consolidation
 - coordination
 - MISO
 - consolidation
 - coordination
 - TRANSLink Transmission Co.
 - Public Power RTG

CMRTO Development Plan

- Aug. 1 - pre-filing meeting with FERC staff
- Aug. 15 - FERC filing of CMRTO Plan
- Aug. 16 - initiate discussions of infrastructure use with those so equipped (e.g. MAPPCOR, MISO, MAIN, SPP, etc.)
- Sep. 1 - approve CMRTO formation documents and send to members for signing
- Sep. 1 - initiate *Seams Agreement* discussions with each neighboring RTOs/ISOs
- Sep. 1 - approve Agreement with Infrastructure provider
- Dec. 1 - approve a *Seams Agreement* with each neighboring RTOs/ISOs
- Dec. 15 - CMRTO Operational

- ### CMRTO/SPPRTO Consolidation Proposal
1. Each CMRTO transmission owner (TO) will be a SPPRTO TO with rights and responsibilities equivalent to the current SPPRTO TOs.
 2. CMRTO and SPPRTO will use MAPPCOR assets/personnel for CMRTO operations (e.g. security/communications/ATC calculations) for a period of time. CMRTO and SPPRTO will determine how to assess the MAPPCOR and SPPRTO grid management costs to CMRTO.
 3. There will be ZTA/SRA type protection for existing CMRTO transactions, or CMRTO and SPPRTO will include existing CMRTO transactions in the revenue allocation proposal.

CMRTO/SPPRTO
Consolidation Proposal
continued

4. For new members of SPPRTO, any seams agreements would contain a hold-harmless mechanism (e.g. ZTA/SRA) for some set time (e.g. for initial 5 year equalization period).
5. CMRTO will be a single zone under the SPPRTO tariff.
6. CMRTO can include non-control area TOs in its pricing zone.
7. CMRTO can include as grandfathered, joint dispatch agreements under which transmission charges are waived.

CMRTO/SPPRTO
Consolidation Proposal
continued

8. Non-contiguous areas can be in the same pricing zone.
9. Units that historically have operated in the western interconnection and in the eastern interconnection will be addressed in seams agreements between RTOs. The four WAPA units located in the western interconnect of which one-half of the energy has historically been transferred to WAPA East on the eastern interconnection (over WAPA West facilities in the western interconnection) at no cost to WAPA EAST under a memo between WAPA East and WAPA West will be treated as a grandfathered contract, since WAPA East and WAPA West can not contract with themselves.

CMRTO/SPPRTO
Consolidation Proposal
continued

10. CMRTO currently assesses all TOs a pro-rata of all transmission investments and do not intend to shift the same to SPPRTO TOs, and vice versa.
11. Federal entity provisions need to be included.
12. CMRTO and SPPRTO will use the same advanced congestion management system required by FERC. The allocation of transmission rights to existing agreements could differ between CMRTO and SPPRTO.
13. CMRTO and SPPRTO will quickly do a joint detailed study of the tariff (terms, conditions, etc.) to determine if there are any additional issues. The study will include the modeling of current transactions.

CMRTO/SPPRTO
Consolidation Proposal
continued

14. Information will be shared very soon in order to facilitate the development of the consolidation plan.
15. The goal is to consummate the consolidation within two to three months.

CMRTO/SPPRTO
Consolidation
Advantages

- cost dilution (incremental costs less than average costs)
- geographic scope and size (i.e. Canada to Gulf)
- market diversity (i.e. daily, winter/summer, energy pricing)
- designed to have no negative impact on current members

CMRTO/SPPRTO
Coordination Proposal

Similar to *Consolidation Proposal* except:
CMRTO signs a TO agreement with SPPRTO and individual CMRTO transmission owners receive representation equivalent to other SPPRTO TOs.

DRAFT
07/06/01

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CMRTO/SPPRTO Pricing Task Force
(PTF)
Coordination Strawman
(via a Seams Agreement)

- CMRTO will have a seams agreement with SPPRTO to cause CMRTO TOs to have rights and responsibilities equivalent to the current SPPRTO TOs.
- CMRTO and SPPRTO will use MAPP COR assets/personnel for CMRTO operations (e.g. security/communications/ATC calculations) for a period of time. CMRTO and SPPRTO will determine how to assess the MAPP COR and SPPRTO grid management costs to CMRTO.
- There will be ZTA/SRA type protection for existing CMRTO transactions, or CMRTO and SPPRTO will include existing CMRTO transactions in the revenue allocation proposal.
- ~~For new members of SPPRTO, any seams agreements would contain a hold-harmless mechanism (e.g. ZTA/SRA) for some set time (e.g. for initial 5 year equalization period).~~
- CMRTO will be a single zone to ~~under~~ the SPPRTO tariff.
- CMRTO can include non-control area TOs in its pricing zone.
- CMRTO can include as grandfathered, joint dispatch agreements under which transmission charges are waived.
- Non-contiguous areas can be in the same pricing zone.
- Units on the cusp of two RTOs that do not pay transmission currently would not pay transmission in the future, even absent a contract, if with the same entity.
- CMRTO currently assesses all TOs a pro-rata of all transmission investments ~~and do not intend to shift the same to SPPRTO TOs, and vice versa.~~
- ~~Federal entity provisions need to be included.~~
- CMRTO and SPPRTO may ~~will~~ use the same advanced congestion management system required by FERC. The allocation of transmission rights to existing agreements could differ between CMRTO and SPPRTO.
- ~~CMRTO and SPPRTO will quickly do a joint detailed study of the tariff (terms, conditions, etc.) to determine if there are any additional issues. The study will include the modeling of current transactions.~~
- Information will be shared very soon in order to facilitate the development of the coordination ~~consolidation~~ plan.
- ~~There will be expeditious action in pursuit of the consolidation coordination.~~ The goal is to consummate the coordination plan within two to three months.

07/06/01

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**CMRTO/SPPRTO Pricing Task Force
(PTF)
Consolidation Strawman**

- Each CMRTO transmission owner (TO) will be a SPPRTO TO with rights and responsibilities equivalent to the current SPPRTO TOs.
- CMRTO and SPPRTO will use MAPP COR assets/personnel for CMRTO operations (e.g. security/communications/ATC calculations) for a period of time. CMRTO and SPPRTO will determine how to assess the MAPP COR and SPPRTO grid management costs to CMRTO.
- There will be ZTA/SRA type protection for existing CMRTO transactions, or CMRTO and SPPRTO will include existing CMRTO transactions in the revenue allocation proposal.
- For new members of SPPRTO, any seams agreements would contain a hold-harmless mechanism (e.g. ZTA/SRA) for some set time (e.g. for initial 5 year equalization period).
- CMRTO will be a single zone under the SPPRTO tariff.
- CMRTO can include non-control area TOs in its pricing zone.
- CMRTO can include as grandfathered, joint dispatch agreements under which transmission charges are waived.
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- Units on the cusp of two RTOs that do not pay transmission currently would not pay transmission in the future, even absent a contract, if with the same entity.
- CMRTO currently assesses all TOs a pro-rata of all transmission investments and do not intend to shift the same to SPPRTO TOs, and vice versa.
- Federal entity provisions need to be included.
- CMRTO and SPPRTO will use the same advanced congestion management system required by FERC. The allocation of transmission rights to existing agreements could differ between CMRTO and SPPRTO.
- CMRTO and SPPRTO will quickly do a joint detailed study of the tariff (terms, conditions, etc.) to determine if there are any additional issues. The study will include the modeling of current transactions.
- Information will be shared very soon in order to facilitate the development of the consolidation plan.
- ~~There will be expeditious action in pursuit of the consolidation coordination.~~ The goal is to consummate the consolidation within two to three months.