

**Southwest Power Pool
CORPORATE GOVERNANCE COMMITTEE MEETING**

September 8, 2009

(with follow up Teleconference September 22)

• M I N U T E S •

Agenda Item 1 – Administrative Items

Chair Nick Brown called the meeting to order at 10:31 a.m. Other members in attendance or represented by proxy were: Jim Eckelberger (Director), Rob Janssen (Dogwood), Cindy Holman (OMPA), Mel Perkins (OG&E), Kevin Easley (GRDA), and Steve Parr (KEPCo). SPP Staff included Stacy Duckett. Guests included Julian Brix (Director). [Note: Jim Eckelberger and Kevin Easley were not able to participate in the teleconference.]

Nick Brown referred to draft minutes for the March 5, 2009 meeting (Minutes – Attachment 1). Cindy Holman moved to approve the minutes as presented. Mel Perkins seconded the motion, which passed unanimously.

Agenda Item 2 – Membership Agreement and Bylaws Update

Stacy Duckett updated the Committee on the Membership Agreement status and Bylaws revisions. Membership Agreement revisions have all been accepted at FERC as of September 1 (Membership Agreement Revisions – Attachment 2). The Bylaws revisions are pending with action from FERC expected by September 30.

The Committee considered a recommendation to revise the Membership Agreement to reflect that the Standards of Conduct are not filed at FERC. Mel Perkins moved to approve this recommendation. Cindy Holman seconded the motion, which passed unanimously.

Agenda Item 3 – Organizational Effectiveness

Survey Schedule

Nick Brown referred to the survey schedule included in the background materials (2009 Surveys – Attachment 3). The group discussed adding a Regional Entity portion to the Stakeholder Survey to provide feedback to the organization. The Committee discussed frequency of surveys as well. Following discussion, the 2009 Stakeholder Survey will focus on the Regional Entity and open questions for the RTO/organization. The Board of Directors and the Organizational Group Surveys will continue to be issued annually.

Chair/Secretary Workshop

The group discussed whether to continue the Chair/Secretary Workshop annually or move to every other year. The Committee determined to host no workshop in 2009 and reconsider at each September meeting.

Recording Meetings

An organizational group questioned whether tape recording of meetings is allowed. The Bylaws are silent on this issue. Following discussion, the Committee determined to take no action at this time. Secretaries will be advised accordingly.

Limits on Chairs

The Markets and Operations Policy Committee (MOPC) forwarded an action item to consider whether there is a limit on the number of chairs a company can hold. There currently is no such limitation. Following discussion, the Committee determined this is considered as part of the annual review of Organizational Group rosters in assuring diversity in membership representation on the groups. Stacy Duckett will report back to the MOPC.

Continuation of Strategic Planning Committee

The Committee discussed whether the Strategic Planning Committee (SPC) should continue to function. The group determined that it should.

Committee Vacancies

The group discussed committee vacancies and the process for filling these vacancies, as well as replacement for the SPC chair given Richard Spring's (KCPL) pending retirement. Stacy Duckett is to solicit interest from the Transmission Owners for committee vacancies.

Agenda 4 – Board of Directors Conflicts Discussion

Stacy Duckett reviewed the report related to potential Directors conflicts raised in the FERC Audit report (Standards of Conduct Revisions – Attachment 4). Following discussion, Steve Parr moved a finding of no conflict with the SPP Standards of Conduct and to report accordingly to the Membership. Cindy Holman seconded the motion, which passed unanimously. The issue will be presented to the Membership.

The group then considered proposed revisions to the Standards of Conduct. Jim Eckelberger suggested a slight modification to the proposed revisions. Mel Perkins moved approval as amended:

7.1 No SPP [Director/Regional Entity Trustee] may be (a) an employee or director of any Third Party, or (b) a consultant or contractor receiving any material compensation from any Third Party. [SPP Directors/Regional Entity Trustees] shall report any consulting or contracting relationship with a third party to the Corporate Governance Committee, which shall make a determination and report to the [Board of Directors/Regional Entity Trustees] whether the compensation received is considered material. The Committee's determination shall be final, unless the [Board of Directors/Regional Entity Trustees] decides to reconsider the determination; provided that the affected [SPP Director/Regional Entity Trustee] shall not participate in any such determination.

7.2 (a) No SPP [Director/Regional Entity Trustee] shall have a material financial interest in any Third Party. SPP [Directors/Regional Entity Trustees] shall report any financial interests in a third party to the Corporate Governance Committee, which shall make a determination and report to the [Board of Directors/Regional Entity Trustees] whether the interest is considered material. The Committee's determination shall be final, unless the [Board of Directors/Regional Entity Trustees] decides to reconsider the determination; provided that the affected SPP [Director/Regional Entity Trustee] shall not participate in any such determination.

Cindy Holman seconded the motion, which passed unanimously.

Agenda 5 – Nominations for 2010 Election

Nick Brown noted that the Committee had previously determined to recommend Jim Eckelberger and Harry Skilton to new terms on the Board of Directors, and Dave Christiano to a new term on the Regional Entity Trustees. The Committee discussed nominees for the Members Committee and determined to nominate to the Membership the following for three-year terms (2010 Nominations – Attachment 5):

IOU: Mike Deggendorf (KCPL) – Mel Perkins moved and Steve Parr seconded

Co-op: Gary Roulet (WFEC) and Mike Wise (Golden Spread)

Kevin Easley moved and Cindy Holman seconded

IPP/Marketer: Trudy Harper (Tenaska) – Steve Parr moved and Mel Perkins seconded

State/Federal: Kevin Easley (GRDA) – Steve Parr moved and Mel Perkins seconded

All motions for nominations passed unanimously. Stacy Duckett will notify nominees and others expressing interest.

Corporate Governance Committee
September 8, 2009

Agenda 6 – Future Meetings

The next meeting will be in December in conjunction with the Board of Directors meeting to review Organizational Group rosters.

Adjournment

Nick Brown thanked everyone for participating and adjourned the meeting at 1:45 p.m.

Respectfully submitted,

Stacy Duckett, Secretary



Southwest Power Pool, Inc.
CORPORATE GOVERNANCE COMMITTEE MEETING
September 8, 2009
Oklahoma Municipal Power Authority, Edmond, OK

• A G E N D A •

10:30 a.m. central

- 1. Call to Order and Administrative Items..... Nick Brown
- 2. Membership Agreement and Bylaws Update Stacy Duckett
- 3. Organizational Effectiveness Nick Brown
 - a. Survey Schedule
 - b. Chair/Secretary Workshop
 - c. Recording Meetings
 - d. Limits on Chairs
 - e. Committee Terms
 - f. Continuation of Strategic Planning Committee
- 4. Board of Directors Conflicts Discussion Stacy Duckett
- 5. Nominations for 2010 Election..... Nick Brown
 - a. Board of Directors
 - b. Regional Entity Trustees
 - c. Members Committee
 - i. Expiring Terms
 - ii. IPP Vacancy
- 6. Future Meetings..... Nick Brown

2010

March 4

September 9

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

**Southwest Power Pool
CORPORATE GOVERNANCE COMMITTEE MEETING**

March 5, 2009

• M I N U T E S •

Agenda Item 1 – Administrative Items

Chair Nick Brown called the meeting to order at 9:12 a.m. Other members in attendance or represented by proxy were: Jim Eckelberger (Director), Rob Janssen (Dogwood), Cindy Holman (OMPA), Mel Perkins (OG&E), and Steve Parr (KEPCo). SPP Staff included Stacy Duckett.

Nick Brown referred to draft minutes for the December 10, 2008 and January 5, 2009 meetings (Minutes – Attachment 1). Steve Parr moved to approve the minutes as presented. Cindy Holman seconded the motion, which passed unanimously.

Agenda Item 3 – Members Committee Vacancy

The committee discussed a vacancy on the Members Committee for an IPP/Marketer representative and expressions of interest. Nick will follow-up with those who have inquired about the vacancy. The committee will reconsider the vacancy at a future meeting.

Agenda Item 4 – Working Group Rosters

The committee reviewed new rosters proposed for working groups (Working Group Rosters – Attachment 2). Rob Janssen moved and Mel Perkins seconded a recommendation to the Board of Directors to approve the rosters as presented. The motion passed unanimously.

Agenda 5 – Board Compensation

Nick Brown reviewed compensation for the Board of Directors in 2008 as well as reported compensation from other regional organizations (Board Compensation – Attachment 3). The committee discussed whether any compensation revisions should be considered. Following discussion, Steve Parr moved to recommend to the Membership for approval of a Representation Fee of \$2,000 and to increase the Observer Fee to \$1,500. Cindy Holman seconded the motion, which passed unanimously.

Agenda 6 – Committee Responsibilities

The committee discussed several issues related to various committees' scopes (Scopes – Attachment 4).

- a. The Human Resources Committee (HRC) is charged with oversight of the financial benefits plans. The issue has been raised as to whether this committee should serve that role absent designated financial expertise necessary to provide the requisite oversight. Currently, Larry Altenbaumer is serving as the financial expert. Alternatively, the duties could be reassigned to the Finance Committee. Following discussion, the group determined that the duty should remain with the HRC with the requisite certified financial expertise to support the committee (currently Larry Altenbaumer).
- b. The Internal Audit group has duties beyond the traditional internal financial reviews. This group is currently reporting to the Finance Committee, but it may be more appropriate that it report to the Oversight Committee. Following discussion, the committee recommends that the Internal Audit group report to the Oversight Committee, except SAS 70 reporting will remain with the Finance Committee.

Agenda 2 – Nominations for 2010 Election

The committee discussed those whose terms expire at the end of 2009 (Terms – Attachment 5).

- Mel Perkins moved to renominate Jim Eckelberger and Harry Skilton to new 3-year terms. Steve Parr seconded the motion, which passed unanimously.

- The group then discussed the Members Committee nominations. No action will be taken at this meeting, but the group discussed feedback from present members and the process for moving forward. Stacy Duckett will issue a notice to the Membership regarding interest in serving.
- Steve Parr moved to renominate Dave Christiano to a new 3-year term. Rob Janssen seconded the motion, which passed unanimously.

Agenda 8 – Future Meetings

The next meeting will be September 8 in Oklahoma City. The Members Committee ballot will be finalized at that meeting.

Agenda 7 – Bylaws Revisions

Stacy Duckett reviewed SPP Bylaws revisions. Following discussion, the group decided that staff will redistribute certain sections of the Bylaws for additional review. Rob Janssen moved to recommend approval of changes to the Bylaws pending approval of sections to be redistributed. Steve Parr seconded the motion, which passed unanimously. Stacy will provide notice to the Membership of pending action by the Board of Directors and a Special Meeting of Members to be held with the April meeting.

Other

Committee rotation was discussed per a request from American Electric Power (AEP). Following discussion, the committee determined to proactively solicit interest for membership to serve on particular Board committees as well as verify with incumbents interest to continue serving, but not to pursue any designated terms or rotation schedule. Stacy will report back to AEP.

Adjournment

Nick Brown thanked everyone for participating and adjourned the meeting at 12:30 p.m.

Respectfully submitted,

Stacy Duckett, Secretary



Southwest Power Pool, Inc.
SPP CORPORATE GOVERNANCE COMMITTEE
Recommendation from Staff
September 8, 2009
Revision to Membership Agreement

Background

The following language appears in the SPP Membership Agreement:

1.21 Standards of Conduct

SPP's Standards of Conduct that apply to the conduct of its directors, officers, employees, Regional Entity trustees, contractors, and agents on file with FERC. (emphasis added)

The SPP Standards of Conduct is not, and is not required to be, on file with FERC.

Analysis

The above language appears in the Definitions section of the SPP Membership Agreement. When SPP was seeking RTO status, the Standards of Conduct was filed in support of the independence requirement for RTOs. Since that time, RTOs have explicitly been exempted from the requirement to have a Standards of Conduct document (18CFR358.1(c)), and therefore, are not required to file one with the Commission. SPP maintains a Standards of Conduct, but is not required to have it on file, therefore it is appropriate to revise the definition to delete the language "on file with FERC".

Recommendation

Approval of revisions to the SPP Membership Agreement for filing at FERC following the requisite notice to the Membership and action by the Board of Directors.

Approved: Corporate Governance Committee

Action Requested: Approve recommendation.

2009 Stakeholder Surveys

Survey	Audience	Launch	Close	Comments
Stakeholder Satisfaction	Members, Customers, Regulators	October 29	November 12	<p>November 13 - Send data to Ariel Communications</p> <p>November 25 – Analysis back from Ariel Communications</p> <p>December 1 – Analysis and results included in BOD background materials</p> <p>December 8 – Presented at BOD meeting</p>
Org Group Surveys	Org Group members	September 28	October 9	<p>October 12 - Data to Ariel Communications</p> <p>October 30 – Analysis and results back from Ariel Communications</p>
BOD Survey	Directors and Members Committee	November 9	November 20	<p>December 1 – Analysis and results included in BOD background materials</p> <p>December 8 – Presented at BOD meeting</p>



Southwest Power Pool, Inc.
SPP CORPORATE GOVERNANCE COMMITTEE

September 8, 2009

**Review of Possible Conflict of Interest and
SPP Standards of Conduct**

Background

SPP was the subject of an audit by FERC's Office of Enforcement, Division of Audit. The audit report raised questions as to whether Mr. Josh Martin serving as a director was in conflict with certain provisions of SPP's Standards of Conduct, and required a review as noted in this Audit Report recommendation:

Audit Report Recommendation 6: Assess whether the Board member with potential conflicts of interest should continue to serve as a SPP Board member in accordance with SPP's Standards of Conduct which prohibits a director from being an employee, director, consultant or contractor to any transmission customers or transmission provider under the SPP tariff. SPP should notify audit staff of the results of this assessment, including actions, if any, that SPP may take with respect to this potential conflict.

As part of this assessment, SPP Staff also recommends a review and discussion of certain provisions of SPP's Standards of Conduct document.

Analysis

SPP provided the following response to the above referenced recommendation:

SPP has assigned this task to the Corporate Governance Committee for review and consideration. This Committee is responsible for nominations for Director positions. It is comprised of up to nine members: the President of SPP, the Chairman of the Board, and one representative from the following membership sectors (to the extent there are members in the sector): investor owned utilities; cooperatives; municipals; independent power producers/marketers; state/federal power agencies; alternative power/public interest; and large/small retail. The next meeting of the Corporate Governance Committee is scheduled for September 8, 2009.

The results of the assessment and any recommended action will be provided to the Membership at its annual meeting scheduled for October 27, 2009. Because the Membership is responsible for electing Directors, it is appropriate that the results of the review and any recommended action be presented to this governing body.

SPP also notes that the Director's tenure on the NEIL board (referenced in the Audit Report) ends in June 2009.



SPP will notify audit staff of the results of the assessment, including actions, if any, that SPP takes with respect to the potential conflict, as part of its quarterly progress reports.

Following is the section of the SPP Standards of Conduct to which the auditors refer:

7. General Rules Governing SPP Directors

7.1 No SPP Director may be an employee, director, consultant or contractor to any transmission customer or transmission provider under the Tariff. ¹

Specifically, the audit staff was concerned with Mr. Martin's law firm listing some SPP member companies/transmission customers as clients on their website, as well as his service on the NEIL Board of Directors and their listing of some SPP members as clients.

In responding to this issue, SPP provided the following:

Audit Staff questions whether SPP is in compliance with its Standards of Conduct because a member of the SPP Board of Directors is an attorney with Potter Anderson & Corroon LLP ("Potter Anderson"), a law firm that Audit Staff asserts is doing business with public utilities in the SPP service territory. In addition, Audit Staff questions the same Board member's position on the board of Nuclear Electric Insurance Ltd. ("NEIL"), a company that provide insurance to companies that own and operate nuclear power plants, some of which are operated by SPP members.

SPP notes that the board member is a non-equity partner of Potter Anderson (and thus does not share in the profits or losses of the firm) and that he does not personally represent electric utility clients of the firm. Further, as the Draft Audit Report recognizes, the utility clients represented by Potter Anderson are either inactive or have minimal participation in SPP. Although NEIL provides insurance to SPP members that operate nuclear plants, the board member himself is not a "consultant or contractor" to any SPP member.

Nonetheless, in light of the concerns raised in the Draft Audit Report, SPP agrees to assess whether this Board member should continue to serve on the SPP Board, and SPP will notify Audit Staff of the results of this assessment and any actions SPP may take based on the assessment.

¹ This provision has since been revised to read: "No SPP Director may be an employee, director, consultant or contractor to any Third Party." "Third Party" is defined as an entity including its representatives, agents, and employees (i) that is an owner, operator or user of the bulk power system in the SPP region, as defined in the Delegation Agreement between the North American Electric Reliability Corporation and SPP; (ii) that is a Transmission Customer as defined in the SPP Open Access Transmission Tariff ("Tariff") or any other tariff that SPP administers; or, (iii) for which SPP provides services under contract, including, but not limited to, tariff administration services; or (iv) that engages in purchases or sales of wholesale or retail electric energy in the SPP Region.



A footnote provided the following additional information:

Although members, El Paso Corp. and The Williams Companies were inactive in SPP throughout the audit period and remain inactive, while NRG purchased only an estimated \$4,700 of transmission service in both 2007 and 2008.

These activity levels remain the same. In addition, Mr. Josh Martin's tenure on the NEIL Board concluded on June 30, 2009. This committee previously determined that participation on the NEIL Board of Directors did not constitute a conflict as contemplated by the Standards of Conduct (in considering Mr. Quentin Jackson joining the SPP Board of Directors in 2000).

In considering the specific issues raised in the audit, the Committee may want to consider modifications to the Standards of Conduct for Directors and Regional Entity Trustees as noted below to facilitate future consideration of possible conflicts:

7.1 No SPP [Director/Regional Entity Trustee] may be (a) an employee or director of any Third Party, or (b) a consultant or contractor receiving any material compensation from any Third Party. [SPP Directors/Regional Entity Trustees] shall report any consulting or contracting relationship to the Corporate Governance Committee, which shall make a determination and report to the [Board of Directors/Regional Entity Trustees] whether the compensation received is considered material. The Committee's determination shall be final, unless the [Board of Directors/Regional Entity Trustees] decides to reconsider the determination; provided that the affected [SPP Director/Regional Entity Trustee] shall not participate in any such determination.

7.2 (a) No SPP [Director/Regional Entity Trustee] shall have a material financial interest in any Third Party. SPP [Directors/Regional Entity Trustees] shall report any financial interests to the Corporate Governance Committee, which shall make a determination and report to the [Board of Directors/Regional Entity Trustees] whether the interest is considered material. The Committee's determination shall be final, unless the [Board of Directors/Regional Entity Trustees] decides to reconsider the determination; provided that the affected SPP [Director/Regional Entity Trustee] shall not participate in any such determination.

The Standards of Conduct are reviewed and re-executed by Directors and Trustees annually. Any potential issues could be presented to the Corporate Governance Committee for consideration as they may arise.

Action requested:

1. Review and assessment of the issue of Josh Martin's conflict of interest and a recommendation to the Membership accordingly.
2. Consideration of revisions to the SPP Standards of Conduct document.

SPP BOARD OF DIRECTORS

	TERM EXPIRES
Larry Altenbaumer	2011
Phyllis Bernard	2010
Julian Brix	2010
Nick Brown	N/A
Jim Eckelberger	2009
Josh Martin	2011
Harry Skilton	2009

Class of 2009

Jim Eckelberger
Harry Skilton

Class of 2010

Phyllis Bernard
Julian Brix

Class of 2011

Josh Martin
Larry Altenbaumer

REGIONAL ENTITY TRUSTEES

	TERM EXPIRES
Gerry Burrows	2011
Dave Christiano	2009
John Meyer	2010

Class of 2009

Dave Christiano

Class of 2010

John Meyer

Class of 2011

Gerry Burrows

SPP MEMBERS COMMITTEE

SECTOR		COMPANY	TERM EXPIRES
Investor Owned Utilities	Kelly Harrison	Westar	2010
	Mel Perkins	OG+E	2011
	Richard Spring	KCPL	2009
	Stuart Solomon	AEP	2010
Cooperatives	Steve Parr	KEPCo	2011
	Gary Roulet	WFEC	2009
	Gary Voigt	AECC	2010
	Rick Tyler	NTEC	2009
Municipals	Jeff Knottek	City Utilities of Springfield	2010
	Cindy Holman	OMPA	2011
IPPs/Marketers	Trudy Harper	Tenaska	2009
	Rob Janssen	Dogwood	2010
	vacant		
State/Federal Agencies	Kevin Easley	GRDA	2009
	Pat Pope	NPPD	2011
Large Retail Customer	vacant		2011
Small Retail Customer	vacant		2010
Public Interest/ Alternative Power	vacant		2011
	vacant		2009

Class of 2009

Richard Spring
 Gary Roulet
 Rick Tyler
 Trudy Harper
 Kevin Easley
 Publ Int/Alt Pwr (vacant)

Class of 2010

Kelly Harrison
 Stuart Solomon
 Gary Voigt
 Jeff Knottek
 Rob Janssen
 Sm. Retail (vacant)

Class of 2011

Mel Perkins
 Steve Parr
 Cindy Holman
 Pat Pope
 Lg. Retail (vacant)
 Publ Int/Alt Pwr (vacant)

MEMBERS COMMITTEE

Expiring Terms 2009

Attendance: 8/08 – 7/09

BOD Meeting	Easley	Harper	Roulet	Spring	Tyler
9/8/08 – Teleconf.	Absent	Present	Present	Absent	Absent
10/28/08	Absent	Present	Present	Present	Present
12/9/08	Absent	Present	Absent	Absent	Absent
1/27/09	Present	Proxy	Present	Present	Present
4/20/09 – Teleconf.	Present	Absent	Absent	Proxy	Absent
4/28/09	Absent	Present	Present	Proxy	Absent
7/28/09	Proxy	Present	Present	Proxy	Present