

# **Southwest Power Pool, Inc.**

## **B Y L A W S**

**July 20, 1999**

**Southwest Power Pool, Inc.**  
**BYLAWS**  
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**BYLAWS**  
**of**  
**Southwest Power Pool, Inc.**

**1.0 MEMBERSHIP**

**1.1 Qualifications**

Membership in Southwest Power Pool, Inc. (SPP), is voluntary and is open to any electric utility, Federal power marketing agency, transmission service provider, and any entities engaged in the business of selling electric energy or purchasing electric energy for resale. Membership also is open to any entity eligible to take service under the SPP open access transmission tariff. These entities desire the greater efficiency and service reliability gained through better coordination by voluntary association in SPP as constituted herein and in the SPP Articles of Incorporation. Members recognize that such association has a significant effect upon the availability and reliability of the bulk electric power supply of the region, and thereby affects the reliability of the nation's electric power supply.

**1.2 Applications**

Membership by an entity shall be obtained upon meeting the following requirements:

- a. Meeting membership qualifications,
- b. Applying to the SPP President,
- c. Executing the Membership Agreement by delivery of a signed copy to the President, and
- d. Paying to SPP its share of working capital.

The President shall review applications, approve those meeting membership criteria and promptly give written notice of the new member to all other members. The Board of Directors will review any disputes arising as to the qualifications of the new member. Membership will commence at the beginning of the next calendar quarter following completion of these requirements.

**1.3 Responsibilities**

Each member is responsible for:

- a. Conforming with these Bylaws, all approved and applicable SPP and North American Electric Reliability Council (NERC) Policies, Principles, Criteria, Standards, and Guides,
- b. Complying with SPP and NERC monitoring and certification procedures,
- c. Sharing planning and timely operating information,

- d. Participating in regional joint planning and coordinated operation of the bulk electric system,
- e. Complying with the Federal Energy Policy Act of 1992 regarding transmission service,
- f. Consulting and coordinating with federal, state and local regulatory bodies, and
- g. Further, each member is strongly encouraged to use the dispute resolution procedures of SPP before taking disputes to the courts or regulatory agencies.

Members who are also members of another NERC regional reliability council may, at their request and upon approval of the President, be granted a waiver of responsibilities associated with SPP Criteria and/or Bylaws that are duplicative of prior responsibilities of membership in another council. Members receiving such a waiver agree to forgo voting privileges on issues before any organizational group pertaining to waived responsibilities.

**1.4 Term**

Membership shall be retained so long as a member meets the qualifications and responsibilities of membership.

**1.5 Withdrawal**

A member may voluntarily withdraw from SPP only as of the end of any fiscal year upon sixty (60) days' prior written notice to the President provided, that such withdrawal shall not relieve the member from any accrued financial obligation. The President shall promptly give written notice of the withdrawal to all other members.

**1.6 Removal**

The Board of Directors may terminate the membership of any member who in its judgment has violated the Bylaws. This termination requires a three-fourths vote of the Board of Directors, excluding the vote of the member in question. Due process for removal shall include an official written notice of violation of the Bylaws, a cure period, a means to contest the charges and a recourse to any legal authority. Removal of a member by the Board of Directors shall be final and shall cancel all rights, interests or privileges of such member in the services or resources of SPP; provided, that such removal shall not relieve the member from: any accrued financial obligation. The President shall promptly give written notice of the removal to all other members. Any former member shall fully pay any accrued financial obligation prior to rejoining, and demonstrate it has corrected the reason for its removal and will be in compliance with SPP membership requirements.

**1.7 Regulatory Agency Involvement**

Any regulatory agency having jurisdiction over a SPP member, may appoint a representative to all SPP organizational groups. These representatives shall have all rights as members except the right to vote. Regulatory representatives shall not be counted toward organizational group size or quorum requirements.

## **2.0 ORGANIZATIONAL ADMINISTRATION**

### **2.1 Structure**

The SPP purpose as stated in the Third Article of Incorporation shall be accomplished primarily through committees working groups and task forces, hereafter referred to as "organizational groups," established by the Board of Directors and under its direction. Each member shall provide representation to committees and by letter to the President designate such representative to act for it at organizational group meetings. Where appropriate for specific research and development projects or on-going activities, working groups will be formed which may not contain representation from every member. Working group representation will be appointed by the Board of Directors, who shall consider the various types and expertise of members and their geographic locations, to achieve a widespread and typical representation of the membership. The chair of any organizational group may appoint any ad hoc task forces as necessary to fulfill its mission. Task force appointments shall be made with due consideration of the various types and expertise of members and their geographic locations. Representatives on all SPP organizational groups will be documented in the SPP Directory maintained by the SPP Staff. Working group and task force vacancies will be filled on an interim basis by appointment of the President.

### **2.2 Proxy**

If a member's representative is unable to attend an organizational group meeting, it will in writing appoint a substitute representative who shall have such rights to participate and vote as the member specifies.

### **2.3 Leadership**

#### **2.3.1 Appointment**

The chair and vice chair of all organizational groups, other than the Board of Directors shall be appointed by the Board of Directors, following consultation with the parent group leadership and the SPP Staff. The vice chair shall act for a chair at the request of the chair; or if the chair becomes incapacitated and unable to discharge the functions of the position; or if the position of the chair becomes vacant, until a new chair takes office.

#### **2.3.2 Terms**

The terms of the chair and vice chair of all organizational groups shall coincide with the two-year term of the

Chair of the Board of Directors. Working Group representation will be reviewed for appropriateness by each new Chair of the Board of Directors.

**2.3.3 Vacancies**

Should any individual having been appointed as a chair or vice chair of any organizational group be unable to serve for the term specified, or be unable to serve on a NERC organizational group under provisions of these Bylaws, a replacement shall be appointed by the Chair of the Board of Directors for the unexpired term of office.

**2.4 Staff**

The SPP Staff shall be headed by the President, who shall employ such qualified technical and administrative employees, engage such office space, employ such outside technical and special service organizations, and incur such reasonable expenses on behalf of SPP to fulfill its mission. Staff resources will be made available to individual members or group of members on a non-firm, non-priority, first-come-first-serve basis, so as not to interfere with current or future needs and priorities established by SPP. Resource allocation will be left to SPP Staff discretion.

**2.5 Meetings**

SPP organizational groups shall meet as necessary to accomplish the SPP mission. Except for executive sessions of the Board of Directors to discuss employee matters or pending, current or threatened litigation, all SPP meetings shall be open to appointed representatives, their proxies, and any other member or potential member providing notice to the secretary of the organizational group. Representatives shall be given at least fifteen days written notice of the date, time, place and purposes of each regular or special meeting. Telephone conference meetings may be called as appropriate by the chair of any organizational group with at least one day prior notice. The chair and vice chair of parent groups shall receive copies of all meeting notices.

**2.6 Order of Business**

The latest edition of Robert's Rules of Order will generally govern all meetings of SPP organizational groups on any point not specifically covered in these Bylaws.

**2.7 Expenses**

The expenses of each representative participating in activities of all SPP organizational groups shall be borne by each respective representative.

## 2.8 Quorum

The quorum for a meeting of any committee shall be one-third of the membership thereof, and quorum for any other organizational group, except the Board of Directors and Membership, shall be one-half of the membership thereof, but not less than three members; provided, that a lesser number may adjourn the meeting to a later time.

## 2.9 Quorum and Voting

### 2.9.1 Voting Strength

Each member of the Board of Directors, Nominating Committee, and working group and task force representatives shall have one vote. In all other instances voting strength shall be determined as follows:

$$V = [ 0.25(1/N) + 0.25(B/C) + 0.25(D/E) + 0.25(F/G) ] 100,$$

where; V = Voting strength of member (in percent),  
 N = Total number of members,  
 B = The member's previous year internal peak demand,  
 C = Total of factor B for all members,  
 D = The member's installed net generating capacity,  
 E = Total of factor D for all members,  
 F = Sum of circuit miles of non-radial transmission facilities times the respective operating voltage for facilities at 69 kV and above, and  
 G = Total of factor F for all members.

No greater than 25 percent of the voting strength will be allocated to a member or group of members where voting is directed by a single organizational structure. Any excesses will be allocated to remaining members in the same manner. Data from the annual Coordinated Regional Bulk Power Supply Program Report will be utilized for this calculation. A written tabulation of the voting strength of each member shall be maintained by the Staff Secretary and present at all committee and subcommittee meetings.

### 2.9.2 Voting

Approval of all committee business requires a minimum of two-thirds majority of the voting strength of members present and voting. A simple majority of members present and voting shall be required for working group and task force action.

### 2.9.3 Voting by Mail

To facilitate timely administration, voting by mail may be used for actions requiring approval of any organizational group and the Board of Directors outside of regular or called meetings. Voting by mail will occur only at the direction of the organizational group's chair and the action must have a motion and second by members of the group. Voting by mail will be expeditiously administered by the Staff Secretary by any



widely available means. The outcome of votes taken by mail will be reported at the next meeting of the organizational group and recorded in the meeting minutes.

**2.10 Appeal**

Should any member or group of members disagree on an action recommended by any organizational group, such group may appeal and submit an alternate recommendation to the Board of Directors prior to its consideration of the action.

**2.11 Reports**

Each organizational group shall present oral and written reports to its parent organizational group at its regular meetings.

**2.12 Staff Support**

The President shall assign to each organizational group a SPP Staff member, who shall attend all meetings and act as Staff Secretary, consultant, staff assistant, historian, parliamentarian, and sergeant-at-arms. Staff Secretaries of all organizational groups shall be non-voting. Minutes shall be kept of pertinent discussion, business transacted, decisions reached, and actions taken at each meeting of SPP organizational groups by the Staff Secretary. Copies of such minutes shall be sent to each representative and the chair and vice chair of the parent organizational group. Minutes shall be considered published documents upon their approval.

**2.13 Publications and Data Bases**

SPP shall publish and distribute printed reports as necessary to fulfill the SPP mission and as the creation of such reports are approved by the Board of Directors. SPP shall also develop and maintain electronic data bases of relevant technical information as approved by the Board of Directors. All publications will be considered non-proprietary and public information and distribution will not be restricted. The release of information in data bases containing member-specific technical data considered proprietary in nature will be governed by related Criteria and administered by the Staff. In the event member specific technical data is being distributed, SPP will provide written notice of the specific data submitted, to whom it is being submitted and the purpose of such submittal to the respective member at the same time the data is provided to the requesting party. Publications and technical data will be made available at no charge to members, other regional councils and their members, and federal and state agencies. Other parties requesting SPP publications or technical data will be charged an amount covering production, handling and postage costs.

## **2.14 Dispute Resolution**

These procedures are established for the equitable, efficient and expeditious resolution of disputes arising from the planning and operation of the interconnected electric network. These disputes may be between any two or more members, between members and consenting non-members or between SPP and any member or consenting non-member. SPP and Members are strongly encouraged to take part in the complete process herein described prior to judicial litigation or the utilization of other dispute resolution processes. SPP administrative involvement in the proceeding is to coordinate assembly of a non-biased and independent dispute resolution task force to facilitate the resolution of the dispute and to provide meeting coordination and facilities. If SPP is a party to the dispute, its administrative duties shall be turned over to a contracted facilitator mutually selected by the disputing parties. These procedures do not apply to disputes that are covered by the dispute resolution procedures of the SPP transmission tariff.

### **2.14.1 Instigation**

Any member may begin these dispute resolution procedures by making a request to the President. This request shall be delivered in writing to the President, who will forward copies of this request to the Board of Directors. This written request must contain the authorized signatures of all parties to the dispute. The request must contain a statement of the issues in dispute, the positions of each of the parties relating to each of the issues, the specific dispute resolution procedure desired, and any agreed-upon modifications or specific additions to the proceedings described in these Bylaws by which the dispute may be resolved.

### **2.14.2 Dispute Resolution Task Force**

The President will immediately provide to each party to the dispute, a list of candidates to be used in forming a three person Dispute Resolution Task Force. This list is to be maintained by SPP and can be added to at any time by any member. This list is to contain biographical information on each of at least 10 candidates sufficient to establish qualifications as a task force member. The President will then call a telephone conference meeting. During this meeting, each party will alternate striking names from the list until those remaining constitute the Dispute Resolution Task Force. This task force will select a chair from its membership. Should any candidate decline to serve or resign from a current appointment for any reason, the most previously struck candidate will automatically be contacted to serve. The President will assign a Staff representative to assist the task force as secretary. The President will manage the task force selection process to ensure its completion within one week from receipt of the request.

### **2.14.3 Resolution Procedures**

The types of proceedings available for the resolution of disputes are:

- a. An Advisory Proceeding to assist each party through discussion and advice, on a separate and individual basis without active participation in the joint discussions and negotiations, to resolve the dispute informally by mutual agreement,
- b. A Mediation Proceeding to assist the parties through active participation in the joint discussions and negotiations (including specific recommendations of the issues in dispute) through which the parties indirectly attempt to resolve the dispute informally by mutual agreement, and
- c. A binding or non-binding Dispute Resolution Proceeding to hear formal evidence on factual matters related to the issues submitted, make written findings and conclusions of fact, and issue specific written recommendations (non-binding) or award (binding) for resolution of each issue in dispute.

The task force chair will determine the necessary meeting arrangements and format necessary to efficiently expedite the resolution of the dispute, and the Staff Secretary will notify the parties of these details. The parties to the dispute must have representatives present at all related meetings with full authority to resolve the dispute. Upon conclusion of this process, the task force chair will notify the President of its outcome. After consultation with the parties to the dispute and the task force chair to determine the completion of the process as described herein, and/or as modified by the parties, the President will discharge the task force, and notify the Board of Directors of the results. The parties to the dispute agree to complete the process within 90 days from selection of the Dispute Resolution Task Force. The Staff Secretary will maintain minutes of the task force meetings, which will become part of SPP historical records.

#### **2.14.4 Expenses**

The parties to the dispute will share equally all reasonable charges for the meeting location, administrative costs, and related travel expenses of panel members. The parties to the dispute will also share equally all reasonable compensation for time and service of task force members and related incremental expenses of the SPP Staff. The President shall determine reasonableness of time and service costs for task force members prior to process implementation. The SPP Staff Secretary shall account for these expenses. Each party to the dispute will be responsible for their respective associated expenses.

#### **2.14.5 Liability**

Neither SPP (its members, Board of Directors, organizational groups, and Staff) nor any panel member shall be liable and shall be held harmless for the consequences of any non-agreement or any agreement reached by the parties in dispute as a result of the proceeding.

### **2.15 Meeting of Members**

The Chair of the Board of Directors shall convene and preside over Meetings of Members of the chief officers for the purpose of electing directors to positions becoming vacant in the ensuing year, and any other necessary business. A quorum shall consist of representatives having a majority of the voting strength; provided, that a lesser number may adjourn the meeting to a later time. The balloting procedure will continue as necessary for all director vacancies to be filled by candidates receiving a majority of the voting strength. A two-thirds majority vote shall be required for action other than election of directors.

**2.16 Liability and Insurance**

For purposes of Sections 2.16.1, "SPP" and "its members" refers to the entities SPP and its officers, directors, employees or agents and "member" refers to the members of SPP, as defined in these Bylaws. None of the provisions of Section 2.16 *et seq.* absolving SPP or its members of liability or any provisions for insurance apply to actions which are unlawful, undertaken in bad faith, or are the result of gross negligence or willful misconduct.

**2.16.1 Waiver of Liability**

- a. SPP shall not be liable to any member for damages arising out of or related to any directive, order, procedure, action, or requirement of the SPP, under the then effective SPP Bylaws and Criteria as approved by the SPP Board of Directors.
- b. No member shall be liable to any other member or to SPP for damages arising out of or related to any action by the member pursuant to any directive, order, procedure, action or requirement of the SPP, under the then effective SPP Bylaws and Criteria as approved by the SPP Board of Directors.
- c. Each member waives any future claim it might have against SPP or other members arising out of or resulting from any directive, order, procedure, action or requirement of SPP, under the then effective SPP Bylaws and Criteria as approved by the SPP Board of Directors.
- d. SPP waives any future claims it might have against any member arising out of or resulting from any actions taken by a member pursuant to any directive, order, procedure, action or requirement of the SPP, under the then effective SPP Bylaws and Criteria as approved by the Board of Directors.

**2.16.2 Insurance**

The President is authorized to procure insurance, if available at a reasonable cost, against damages arising out of or related to any directive, order, procedure, action or requirement of the SPP, under the then effective SPP Bylaws and Criteria as approved by the SPP Board of Directors or the SPP transmission tariff.

**2.16.3 Limitations**

The provisions of Section 2.16 are subject to applicable state and federal laws, if any, which limit the ability of a member to waive liability or enter into agreements of indemnity. Any benefits under Section 2.16 shall not extend to any member so limited by state or federal law in complying with the provisions thereof.

### **3.0 BOARD OF DIRECTORS**

#### **3.1 Qualifications of Directors**

A director should be the chief executive officer, chief operating officer, or the equivalent, (hereafter referred to as chief officer) of a member, and must be the member's representative at the Annual Meeting of Members.

#### **3.2 Duties**

The Board of Directors shall:

- a. Manage, control and direct the general business of SPP,
- b. Direct activities of all SPP organizational groups,
- c. Select and review the SPP President and Corporate Secretary, who shall serve at the pleasure of the Board of Directors,
- d. Determine positions, duties, qualifications, salaries, benefits and other necessary matters pertaining to the SPP Staff,
- e. Review, approve, disapprove or recommend revision to the actions of any committee, working group, or task force,
- f. Act on appeals,
- g. Approve or revise the annual budget and any additional expenditures, and
- h. Convene a Meeting of Members at least annually and additionally as necessary.

#### **3.3 Composition, Term and Election**

The Board of Directors shall consist of seventeen persons; sixteen of which are to be elected for staggered four year terms commencing upon election and continuing until their duly elected successors take office, and the Chair of the Engineering & Operating Committee. Four directors shall be elected each year at the Annual Meeting of Members. At least five directors shall be representative of non-investor owned utility members. The election process shall be as follows:

- a. At least three months prior to the Annual Meeting of Members when election of new board members is required, the Chair of the Board of Directors shall appoint a Nominating Task Force of three representatives, of members, at least one of whom shall be the representative of a non-investor owned utility member,
- b. The Nominating Task Force shall nominate persons equal in number to the directors to be elected,

- c. At least two weeks prior to the Annual Meeting of Members, the Nominating Task Force shall notify the President in writing of the persons it nominates for election as directors, specifying the nominee for any vacancy to be filled. The President shall prepare the ballot accordingly, leaving space for additional names,
- d. At the Annual Meeting of Members, any additional nominee or nominees may be added to the ballot if a motion is made and seconded from within the membership category to add such nominee or nominees, and
- e. At the Annual Meeting of Members, the required number of directors will be elected by written ballot. Each member shall be entitled to vote its voting strength for each nominee of its choice, but not for more nominees than the number of directors to be elected.

### **3.4 Vacancies**

If a vacancy occurs, the Chair of the Board of Directors, with approval of the Board of Directors, may appoint an interim director to serve until a replacement director is elected and takes office. A special election shall be held at the next Annual Meeting of Members to fill the vacancy for the unexpired term. The replacement director shall take office immediately following the election.

### **3.5 Functioning of the Board of Directors**

In reaching any decision and in considering the recommendations of any organizational group, the Board of Directors shall abide by the principles in the SPP Articles of Incorporation and these Bylaws.

#### **3.5.1 Meetings and Notice of Meetings**

The Board of Directors shall meet at least semi-annually in the spring and fall, and additionally upon the call of the chair. At least fifteen days' written notice shall be given to each director by the President of the date, time, place and purposes of a meeting of the Board of Directors, unless such notice be is waived by the directors in writing, either before or after such meeting.

#### **3.5.2 Chair and Vice Chair; Election and Terms**

The Board of Directors shall elect from its membership a Chair and a Vice Chair for two year terms, commencing upon election and continuing until their duly-elected successors take office. The Vice Chair shall act for the Chair at the request of the Chair; or in the event the Chair should become incapacitated and unable to discharge the functions of the office; or the office of Chair becomes vacant, until the next regularly scheduled semi-annual meeting of the Board of Directors, at which meeting a new Chair shall be elected by the Board of Directors to fill the vacancy. The Chair will appoint a director to fill a vacant Vice Chair position

until the next meeting of the Board of Directors.

### **3.5.3 Quorum and Vote**

Nine directors shall constitute a quorum of the Board of Directors; provided, that a lesser number may adjourn the meeting to a later time. Decisions of the Board of Directors shall be by three-fourths majority vote of the directors present and voting.

## **4.0 ORGANIZATIONAL GROUPS REPORTING TO THE BOARD OF DIRECTORS**

### **4.1 Engineering and Operating Committee**

The Engineering and Operating Committee reports to and is subject to the control of the Board of Directors. Representatives to the Engineering and Operating Committee should be the officer in charge of engineering and/or operating activities. The Engineering and Operating Committee shall:

- a. Recommend practices for system design, interconnection, and operation that will help to assure efficient and reliable bulk power supply among the systems in SPP,
- b. Continue coordination of its efforts with the efforts of NERC, including periodic review of NERC Policies and Standards and their applicability to SPP and its members,
- c. Review member operating plans and problems that are pertinent to SPP planning and operation,
- d. Maintain an annual series of load flow and short circuit models and associated stability data bases representing the current and planned electric network of the region, and maintain a data base of all transmission facilities within SPP,
- e. Review and assess the current and planned bulk electric system of the region,
- f. Make use of studies available from other regions,
- g. Recommend to the Board of Directors criteria for planning and operations,
- h. Review the intraregional plans submitted by the coordinated groups within SPP and facilitate planning between intraregional groups,
- i. Develop a coordinated plan for intraregional transmission for greater efficiency and reliability of bulk electric power supply, and
- j. Recommend to the Board of Directors and to members, individual or joint action to improve the operation of the systems comprising SPP.

### **4.2 Commercial Practices Committee**

The Commercial Practices Committee reports to and is subject to the control of the Board of Directors. Representatives to the Commercial Practices Committee should be the Member's employee in charge of ensuring commercially viable processes associated with interconnected electric system operation. The

Commercial Practices Committee shall:

- a. Monitor the current state and evolution of the electric energy supply industry and proactively recommend commercial practices that meet industry needs and promote commerce,
- b. Work with all SPP organizational groups to promote a high standard of operational reliability,
- c. Carefully review existing and proposed changes to SPP and NERC policies and make recommendations to the Engineering and Operating Committee as to their impact on commercial aspects of SPP operation,
- d. Coordinate efforts with neighboring regions through NERC,
- e. Oversee, provide guidance and make appropriate recommendations related to system administration of SPP computer systems providing commercial services,
- f. Promote equitable commercial practices through ensuring compliance with SPP and NERC Policies, Principles, Criteria, Standards and Guides,
- g. Keep informed on legal, regulatory and other matters relating to commercial practices that may be of interest and concern to SPP members,
- h. Assist the SPP Staff in responding to external information requests pertaining to commercial practice related matters, and
- i. Respond to any activities as directed by the Engineering and Operating Committee.

#### **4.3 Employee Benefits Working Group**

The Employee Benefits Working Group reports to and is subject to the control of the Board of Directors with representatives named by the Board of Directors. This Working Group shall administer and operate employee benefits plans and shall:

- a. Interpret the plans for intent and ambiguity,
- b. Resolve all questions concerning eligibility for benefits,
- c. Compute the amount of benefits payable under the plans,
- d. Assign administrative responsibilities,
- e. Authorize a member of the committee to exercise any committee powers or to execute or deliver any instrument or make payment in its behalf,
- f. Employ persons to render advice under the plan,
- g. Appoint trustees and define rights, powers and duties of trustees,
- h. Evaluate performance of investment managers,
- i. Adopt rules and regulations of the plan,
- j. Recommend amendments to the plan,
- k. Establish a claims procedure,



- l.** Establish and carry out funding policy,
- m.** Annually in July evaluate performance of investments,
- n.** Annually in September review the employee compensation plan, and
- o.** Make recommendations to the Board of Directors as necessary to; appoint and remove investment managers for all plans, designate portion of contribution to the plans, participate in trust agreement, direct trustee concerning payments made out of trust fund, set investment goals, employ consultants to advise on plans, amend all plans, terminate plans, and authorize participation in all plans.

#### **4.4 Finance Working Group**

The Finance Working Group reports to and is subject to the control of the Board of Directors with three representatives named by the Board of Directors. This Working Group shall oversee SPP finances and shall:

- a.** Review a preliminary budget prepared by the SPP Staff and recommend an annual budget for consideration of the Board of Directors,
- b.** Review quarterly statements of actual expenses versus budget and make reports to the Board of Directors,
- c.** Review the annual audit and make a report to the Board of Directors, and
- d.** Provide guidance to the Staff in finance decisions.

#### **5.0 NORTH AMERICAN ELECTRIC RELIABILITY COUNCIL**

SPP participates as a regional organization in NERC activities. The Board of Directors shall appoint representatives to NERC organizational groups as necessary. SPP will pay associated travel expenses of these representatives upon receipt by the President of an expense report as normally filed within the representative's system.

#### **6.0 FISCAL ADMINISTRATION**

All members shall provide financial support to pay all costs and expenses authorized by the Board of Directors, including but not limited to those of the SPP Staff, such as office expenses, salaries and necessary traveling expenses of the Staff. The fiscal year shall coincide with the calendar year.

##### **6.1 Operating Budget**

The President shall work with the Finance Working Group in preparing an annual budget of expenditures for the purposes of operation of SPP as set forth herein. The proposed budget shall be submitted to the Board

of Directors not less than two weeks prior to its fall meeting at which time the budget shall be approved as may be modified. Once approved by the Board of Directors, the budget shall constitute the authority for expenditures for the ensuing year.

### **6.2 Assessments**

Every month, the President shall notify each member in writing of its monthly assessment for actual incurred expenses for the previous month. Each member will be assessed a prorated share of these expenses based on its quarterly voting strength. Each member shall deposit its assessment with SPP no later than thirty days after the receipt of such notification. If any member fails to deposit the full amount within forty days of notification, it shall be deemed to have terminated its membership and shall immediately deposit with SPP an amount equal to all of its accrued financial obligations to SPP, including but not limited to its prorated share of the then approved annual budget. The Executive Committee may grant reasonable extensions of time for such deposit.

### **6.3 Fiscal Agent**

The President shall serve as the Fiscal Agent of SPP. The President shall keep an up-to-date record of receipts and disbursements and furnish reports to the Board of Directors and the Finance Working Group.

### **6.4 Working Capital**

Each member will be assessed and shall maintain on deposit with SPP its prorated share of working capital based on its assessment share. The total amount of working capital shall be approximately equal to one sixth of the approved budget for the ensuing fiscal year, and shall be adjusted as needed by the Board of Directors.

### **6.5 Auditors**

The Board of Directors shall each year designate a firm of certified public accountants to act as auditors for SPP for the current fiscal year. The fiscal records of SPP shall be audited annually and the results reported to the Board of Directors at its spring meeting.

## **7.0 AMENDMENTS**

These Bylaws may be amended, repealed, or added to in the same manner as any other business before the SPP organizational structure, culminating with approval of the Board of Directors. The Articles of Incorporation may be amended, repealed, or added to only by approval of the membership.

**8.0 EFFECTIVE DATE AND TRANSITION PROVISIONS**

These Bylaws shall become effective on January 1, 1994, and remain in force thereafter. These Bylaws hereby cancel and supersede, and the signatories hereby withdraw from, the Southwest Power Pool Second Coordination Agreement, dated November 9, 1979, as amended; provided, that these Bylaws do not relieve any party to said 1979 Agreement from any financial obligation incurred thereunder. Binding obligations entered into by authority of the Board of Directors under the 1979 Agreement are hereby assumed and confirmed as obligations of Southwest Power Pool, Inc. under these Bylaws. The terms of all directors elected or appointed and all organizational group assignments made under the 1979 Agreement shall be assumed under these Bylaws. All Members and Associate Members under the 1979 Agreement will automatically become members as described in these Bylaws, beginning January 1, 1994.

**9.0 FORWARD TRANSITION PROVISIONS**

For the purpose of transitioning from these Bylaws to Bylaws approved by the Board of Directors on July 20, 1999 with an effective date of January 1, 2000, the following shall supercede the composition of the Board of Directors provisions contained in Section 3.3 for purposes of electing directors at the 1999 Meeting of Members.

- a. The term of all directors elected or appointed under the July 20, 1999 Bylaws shall terminate upon the election of new directors pursuant to the following provisions.
- b. At the November 9, 1999 Meeting of Members, the Membership shall elect a Board of Directors consisting of 14 persons whose terms shall commence upon their election.
- c. Election ballots shall be prepared according to provision of Section 3.3 and priority consideration shall be afforded by the Nominating Task Force to existing directors to promote consistent and smooth transition of governance.
- d. Seven directors shall be representatives of Members that have placed more than 500 miles of non-radial facilities operated at or above 60 kV, under the independent administration of SPP for the provision of regional transmission service (Transmission Owning Members), and seven directors shall be representatives of remaining Members (Transmission Using Members). Within the Transmission Using Member sector, 2 directors shall be representatives of municipal Members (including Municipal joint action agencies), 2 directors shall be representatives of cooperative Members, and 3 directors shall be representatives of marketer and/or independent power producer members. Within the Transmission Owning sector, at least two directors shall be representatives of non-investor owned utilities.

- e. If Membership is insufficient to meet these provisions the Nominating Task Force shall make appropriate recommendations to the Membership, such that the number of Transmission Owning directors and Transmission Using directors shall be equal.
- f. Upon their election, the directors within each sector shall be placed into 1, 2 or 3 year terms determined by lottery.