

**Southwest Power Pool  
CORPORATE GOVERNANCE COMMITTEE MEETING**

**Teleconference**

**May 11, 2012**

**• M I N U T E S •**

**Agenda Item 1 – Administrative Items**

Nick Brown called the meeting to order at 9:03 a.m. Other members in attendance or represented by proxy were: Cindy Holman (OMPA), Rob Janssen (Dogwood), Jim Eckelberger (Director), Steve Parr (KEPCo), and Mel Perkins (OG&E). SPP Staff included Stacy Duckett. Others attending were Richard Ross (AEP), Dennis Reed (Westar); Harold Hadland (NPPD), Dave D'Alessandro (NPPD), and Matt Binette (Wright & Talisman),

Mr. Brown referred to draft minutes for March 1, 2012 (Minutes 3/1/12 – Attachment 1). Steve Parr moved to approve the minutes as presented; Mel Perkins seconded the motion, which was unanimously approved.

**Agenda Item 2 – Vacancies**

Stacy Duckett noted current vacancies on the Human Resources Committee (HRC) and the Finance Committee (FC) due to Trudy Harper's recent retirement. Notice has gone out to the membership regarding these openings; no nominees have been received to date. Staff will continue to seek candidates, both from the Members Committee and/or from their companies. This retirement also creates a vacancy on the Members Committee and Ms. Harper's term expired at the end of this year as well. Staff will solicit candidates for this position to elect in October to serve the remainder of this term as well as a new three-year term commencing January 2013.

**Agenda Item 3 – Committee Responsibilities Review**

Nick Brown updated the group on the current initiative to review scopes of the Oversight Committee (OC), Finance Committee and Human Resources Committee and consider reassignment of certain duties (Group Scopes – Attachment 2). The group discussed additional revisions suggested by Mr. Brown. Stacy Duckett noted a need to review and perhaps revise the Bylaws to synchronize with these revisions, and whether the level of specificity is necessary in the Bylaws. Cindy Holman concurred; staff will review. Jim Eckelberger suggested business continuity should remain with the FC since there are member representatives on that committee. Following discussion, the group determined to assign business continuity to FC rather than the OC.

**Agenda Item 4 – Withdrawal Obligations**

Stacy Duckett noted the status of the initiative to develop withdrawal obligation revisions in governing documents to address regional transmission costs (Governing Documents Revisions – Attachment 3). Matt Binette reviewed revisions made since direction to apply these provisions to members only rather than network customers. Dennis Reed questioned whether penalties should be assessed to entities joining after an event occurs. The Committee gave direction to exclude such new members, knowing any imposition of penalties must ultimately be approved by FERC. Dave D'Alessandro asked for clarification on Section 8.7.1. (c) and (e) and separate references to interest. Ms. Duckett will research and send information to Mr. D'Alessandro. Mel Perkins noted recent discussion at the Strategic Planning Committee (SPC) regarding the notice period. Staff is still researching and will provide a recommendation regarding any other alternatives. Mr. D'Alessandro sought clarification of Section 4.1.1; Ms. Duckett will discuss offline. He then requested further clarification of Section 4.3.3 and offered additional revisions for consideration. Discussion continued on additional provisions of Section 4.3.3 for further clarification. Mr. Brown asked for identification of other provisions requiring additional attention.

Nebraska Public Power District (NPPD) pointed to Section 4.3.3 of the Membership Agreement. Mel Perkins asked for a review of Schedule 13 to address a “gap” between Board approval and actual issuance of a Notice to Construct (NTC). Dennis Reed requested Word versions of documents to remit redlines for consideration. Jim Eckelberger requested clarification as to the revision on page 18 of the Tariff document. These revisions may be removed and instead be included in the Order 1000 filing.

**Agenda Item 5 – Strategic Planning Committee Task Force Recommendation on Order 1000**

Paul Suskie reviewed the Strategic Planning Committee Task Force recommendation regarding revisions to the Membership Agreement to meet Order 1000 requirements, specifically to address changes related to the Right of First Refusal provision (SPCTF Recommendation – Attachment 4). Mel Perkins moved for approval; Rob Janssen seconded the motion, which passed unanimously.

**Agenda Item 4 – Withdrawal Obligations Continued**

Rob Janssen requested clarification as to whether questions regarding crediting are still pending. Dennis Reed is still considering crediting as part of Regional Tariff Working Group (RTWG) review. Harold Hadland requested Word versions to provide additional comments. The plan now is to have all issues resolved to take action at the August 30 meeting and recommend for action at the October meetings.

**Agenda Item 6 – Chair/Secretary Workshop Update**

Stacy Duckett noted a plan to host a workshop for chairs and secretaries later this year. The Committee endorsed moving forward (Workshop Draft Agenda – Attachment 5).

**Agenda Item 7 – Future Meetings**

Nick Brown noted the next scheduled meeting as August 30 from 9:00 a.m. until 12:00 p.m.

**Adjournment**

Nick Brown thanked everyone for participating and adjourned the meeting at 10:55 a.m.

Respectfully submitted,

Stacy Duckett, Secretary



**Southwest Power Pool, Inc.**  
**CORPORATE GOVERNANCE COMMITTEE MEETING**  
**May 11, 2012**  
**Teleconference**

**• A G E N D A •**

9:00 a.m.

1. Call to Order and Administrative Items.....Nick Brown
2. Vacancies .....Stacy Duckett
  - a. Human Resources Committee (TU)
  - b. Finance Committee (TU)
3. Committee Responsibilities Review .....Nick Brown
4. Withdrawal Obligations Revisions .....Stacy Duckett
5. Chair/Secretary Workshop Update.....Stacy Duckett

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

**Southwest Power Pool  
CORPORATE GOVERNANCE COMMITTEE MEETING**

**OMPA Offices, Edmond, OK**

**March 1, 2012**

**• M I N U T E S •**

**Agenda Item 1 – Administrative Items**

Nick Brown called the meeting to order at 9:00 a.m. Other members in attendance or represented by proxy were: Cindy Holman (OMPA), Rob Janssen (Dogwood), Jim Eckelberger (Director), Steve Parr (KEPCo), and Mel Perkins (OG&E). SPP Staff included Stacy Duckett. Others attending were Tom Hestermann (Sunflower), Bruce Cude (Xcel), Steve Gaw (Wind Coalition), Dennis Reed (Westar); Harold Hadland (NPPD), Charles Locke (KDPL), and Matt Binette (Wright & Talisman),

Mr. Brown referred to draft minutes for October 25 and December 7, 2011 (10/25/11 and 12/7/11 Minutes – Attachment 1). Steve Parr moved to approve the minutes as presented; Cindy Holman seconded. The motion was approved.

**Agenda Item 2 – 2013 Nominations**

Nick Brown initiated the discussion regarding 2013 nominations in preparation for the ballot to be recommended in October 2012. To date incumbents have expressed an interest in serving new terms. Jim Eckelberger excused himself from the meeting during the discussion regarding the directors. Steve Parr moved to nominate Jim Eckelberger and Harry Skilton for the Board of Directors and Dave Christiano for the Regional Entity Trustees; Mel Perkins seconded the motion. Following discussion, the Committee voted unanimously to approve nominations. No action is required for the Members Committee at this time. Stacy Duckett will send out a notice to the Membership to solicit other candidates for the Members Committee. Nominees will be determined at the August meeting.

**Agenda Item 3 – Vacancies**

Nick Brown noted a vacancy for a Transmission User (TU) on the Human Resources Committee due to Darrell Dorsey's retirement. Duane Highley (AECC) has expressed interest in serving. Steve Parr moved to appoint Mr. Highley; Rob Janssen seconded the motion. The motion passed unanimously.

**Agenda Item 4 – Rosters Update**

Stacy Duckett updated the group on the process for addressing attendance matters on some of the working groups. These reviews continue.

**Agenda Item 5 – Withdrawal Obligations**

- a. Stacy Duckett reviewed the status of the Regional Tariff Working Group's review of tariff language for transmission expansion withdrawal obligations. Extensive discussion followed. Given that non-member network service customers represent approximately 1% of the load, the group requested revisions to limit provisions to member organizations rather than all network customers. In addition, any possible mitigation of potential impact of non-member customers will be reviewed and reported back. The group then considered crediting issues raised by the Nebraska Public Power District (NPPD). Following considerable discussion, Mr. Brown proposed continuing to move forward with the current drafts and plan for a more detailed presentation at the April Markets and Operations Policy Committee (MOPC) and Board of Directors/Members Committee meetings; the group concurred. The Staff will draft a report/ recommendation to be used as a basis for discussion. In addition, the RTWG will also consider an approach regarding credits. The goal is to work toward votes in July.

- b. Nick Brown provided background on issues associated with SPP, Inc.'s financial obligations and impact on membership decisions. The Staff has developed a revised exit fee formula for discussion/consideration. The proposal includes a flat fee equivalent to the annual membership fee; an adjustment to the annual fee; and inclusion of a factor for generation in the footprint. The Committee discussed and provided feedback. This will be a topic at the Strategic Planning Committee retreat in May.

#### **Agenda Item 6 – Standards of Conduct Requirements**

Stacy Duckett provided an update on the Standards of Conduct matters. There are some potential changes that can be made to the definition of "Third Party" that will remove some entities from the list, but will not address the previous issues raised. An opinion memo has been provided to the Committee and Board of Directors as well, noting options. The Staff will continue working with counsel to consider options.

#### **Agenda Item 7 – Organizational Effectiveness**

- a. Stacy Duckett noted the agenda for training to be initiated for all staff secretaries at SPP. This is an information item only.
- b. The CGC has historically hosted a Chair/Secretary Workshop, but has not done so recently. Following discussion, the group determined to host a workshop in the fall of 2013. Rob Janssen asked Staff to solicit feedback from Bill Dowling since MOPC coordinates the largest number of groups; if he suggests training would be beneficial, a workshop will be planned for the fall of 2012.
- c. Nick Brown reviewed proposals to change some responsibilities of some Board committees. This is also due to be discussed with each committee before any definitive action. If adopted, Bylaws changes will be required. The group wants to ensure the SSAE16 audit reports remain available to those impacted.
- d. Rob Janssen requested an update on the affiliate voting record at MOPC. A report was provided for review. No action was recommended. A list of affiliate companies will be added to the report.
- e. Nick Brown reviewed the Corporate Governance Committee annual Organizational Group Survey. Comments were discussed; no areas of concern were noted.

#### **Agenda Item 8 – Future Meetings**

Nick Brown noted the next scheduled meeting as August 30 from 9:00 a.m. until 12:00 p.m., which tentatively will be via teleconference. An additional meeting has been scheduled on May 11 from 9:00 a.m. until 12:00 p.m. and also tentatively via teleconference.

#### **Adjournment**

Nick Brown thanked everyone for participating and adjourned the meeting at 1:40 p.m.

Respectfully submitted,

Stacy Duckett, Secretary

**Southwest Power Pool  
HUMAN RESOURCES COMMITTEE  
Organization Group Scope Statement**

**PURPOSE**

The Human Resources Committee provides oversight of all aspects of the SPP employment relationship. Specifically, the Human Resources Committee will ensure personnel policies and structures are developed, advocated and maintained which support the employees of SPP in fulfilling their responsibilities.

**SCOPE OF ACTIVITIES**

The Human Resources Committee will have broad responsibilities for approving organizational structure including continuous realignment to support timely execution of the SPP Strategic Plan; recruitment and employment policies; compensation and incentive policies; benefits including insurance, health and retirement plans; and systems for evaluating organizational performance and structure. The Human Resources Committee responsibilities include performing the tasks enumerated herein and reporting results on the performance of these tasks to the Board of Directors. ~~\_\_\_\_\_~~The Human Resources Committee may hire consultants and other experts, as necessary, to advise and guide the Committee in fulfilling its duties and achieving the desired workplace environment.

The Committee will report its activities to the Board of Directors at the next meeting of the SPP Board of Directors following a meeting of the Committee. Specific tasks of the Committee include:

*Revised April 12, 2012*

- a. Review and monitor organizational structure, succession, and personnel plans, ensuring continuous alignment with the SPP Strategic Plan.
- b. Approve overall compensation policies and funding and review administration of those policies.
- e. Review and approve employee and executive benefit and health care plans. Ensuring plans are competitive in the marketplace, responsive to the law, and provide satisfaction to beneficiaries within a cost constrained budget that effectively meets stakeholder needs. Appoint trustees to ~~manage~~ administer employee benefit plan ~~trustss~~ and define the rights, powers and responsibilities of trustees.
- c. Provide oversight of the design and investment strategy of the defined contribution employee benefit plan.
- d. Annually review the slate and structure of SPP's retirement plans ensuring compliance with applicable laws, ensure benefits are consistent with SPP's strategic values.
- e. Oversee SPP programs designed to maintain ethical standards and facilitate ("open door") procedures to report violations. Ensure documentation of standards and procedures, proper functioning of programs and provision of ongoing training to all SPP employees.
- f. Review and approve SPP's employee and executive performance evaluation processes.
- g. Ensure the critical job functions and goals of the SPP President are documented and communicated to the SPP President and, annually, ensure the SPP President receives a documented review of performance against the stated critical job functions and goals. Recommend compensation and benefit adjustments for the SPP President.

*Revised April 12, 2012*

- h. Perform an annual assessment of the effectiveness of the Human Resources Committee and report to the Board of Directors the results and make any recommendations for change.

Perform such other duties as the Board of Directors may delegate or direct.

## **REPRESENTATION**

The Human Resources Committee shall be comprised of six members. Two representatives shall be members of the Board of Directors and one of these will be the chairperson, the other the vice chairperson. Two representatives from the Transmission Owning Member sector and two representatives from the Transmission Using Member sector will be members each as nominated by the Corporate Governance Committee. The Board of Directors shall appoint the representatives of the Human Resources Committee at the regular meeting of the Board of Directors immediately following the Annual Meeting of Members. The Corporate Governance Committee is responsible for filling and recommending individuals to fill vacancies on the ~~committee~~ Committee while monitoring and developing criteria governing the overall composition of the ~~committee~~ Committee. Persons designated as representatives on the Human Resources Committee will continue to serve until their successors have been appointed.

## **DURATION/QUORUM/PROXY/MEETINGS**

The Human Resources Committee is a permanent committee. The Committee shall meet a minimum of two times per fiscal year and at other times as called by the Chair. A quorum will constitute at least half of the members of the ~~committee~~ Committee but no less than three

*Revised April 12, 2012*



members. Proxies are allowed if reported to the Chair prior to the meeting. All meetings of the Human Resources Committee shall be open to all SPP members, members of the SPP Board of Directors, members of the Regional State Committee, invited guests, and other interested parties unless closed by the Chair of the Committee. All meetings will be noticed in accordance with the meeting notice guidelines stated in the SPP Bylaws.

## **REPORTING**

The Human Resources Committee reports directly to the Board of Directors.

**Southwest Power Pool  
FINANCE COMMITTEE  
Organizational Group Scope Statement**

**Purpose**

The purpose of the Finance Committee is to oversee all aspects of SPP's financial operations, primarily insure appropriate controls, policies and procedures are documented and adhered to allowing SPP to report accurate financial reports, access external capital as required, while not exposing the company or its membership to undue risks.

**Scope of Activities**

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside legal, accounting or other advisors for this purpose, including the authority to approve the fees payable to such advisors and any other terms of retention. The Committee is directly responsible for the compensation and oversight of the work (including both audit and non-audit services) of the independent auditors and for recommending engagement of the independent auditors for Board of Directors approval. The Committee shall be given full access to the corporation's accounting staff, Board of Directors, corporate executives and independent accountants as necessary to carry out these responsibilities.

Specific tasks include:

1. Review and discuss with management and the independent auditors, prior to public dissemination, the corporation's annual audited financial statements with primary focus on the quality and integrity of the statements.
2. The Committee shall annually recommend for Board of Directors approval engagement of independent auditors.
3. Develop, in conjunction with management, a schedule for the preparation and development of the annual operating budget, capital budget and each special budget that provides sufficient time for preliminary development by management, review by the Committee, consideration of the proposed budget by the Board of Directors, and final approval of the proposed budget by the Board of Directors, in accordance with the overall budget cycle established by the Board of Directors.
4. Monitor the methodology of cost recovery to insure continuing equity for Members.
5. Develop policies for management of the company's capitalization, financing and long-term contracts.
6. Review periodically, with the corporation's counsel, any legal matter that could have a significant impact on the corporation's financial statements.
7. Discuss with management and the independent auditors the corporation's guidelines and policies with respect to risk assessment and risk management. The Committee should discuss the corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures.
8. Report regularly to the full Board of Directors including:
  - a. any issues that arise with respect to the quality or integrity of the corporation's financial statements, the corporation's compliance with legal or regulatory requirements, the

- performance and independence of the corporation's independent auditors ~~or the performance of the internal audit function~~;
  - b. actual financial results in comparison to budgeted results;
  - c. following all meetings of the Committee; and
  - d. with respect to such other matters as are relevant to the Committee's discharge of its responsibilities.
9. Review with management and the independent auditors their assessments of the adequacy of internal financial controls and the resolution of any identified material weaknesses or reportable conditions.
- ~~10. Review annually the Company's Business Continuity Planning and Disaster Recovery Programs as related to financial and MIS risks as well as significant Information Security matters and any actions being taken to address weaknesses noted.~~
- ~~11.10.~~ Review reports of actuaries and provide input to the assumptions used to develop the actuarial reports.
11. Report to the Board of Directors on the financial status of the defined benefit and retiree healthcare plans and recommend any funding requirements/strategies for the plans.
12. Review annually, the Investment Policy Statements for the Company's retirement plan, 401(k) plan, post-retirement healthcare plan, and all other similar plans, to ensure the Investment Policy Statements continue to be appropriate for the goals of the plans.
- ~~12.13.~~ Engage and monitor the performance of Investment Managers who have discretionary investment powers for any of the Company's ERISA and non-ERISA plans.
- ~~13.14.~~ Review and approve annually significant financial and compliance policies which fall under the purview of the Committee.
- ~~14.15.~~ The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including reviewing the compliance of the Committee with this Charter.

The Committee is not responsible for certifying the corporation's financial statements or guaranteeing the auditor's report. The fundamental responsibility for the corporation's financial statements and disclosures rests with management.

### **Representation**

The Finance Committee shall be comprised of six members. Two representatives shall be members of the Board of Directors and one of these will be the chairperson. Two representatives from the Transmission Owning Member sector as nominated by the Corporate Governance Committee and two representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee. The Board of Directors shall appoint their representatives at the regular meeting of the Board of Directors immediately following the Annual Meeting of Members. Persons designated as representatives on the Finance Committee will continue to serve until their successors have been appointed. Where a vacancy occurs, the Corporate Governance Committee will fill the vacancy in accordance with SPP Bylaws.

**Duration**

The Finance Committee is a permanent committee. The Committee shall meet a minimum of two times per fiscal year and at other times as called by the Chair. A quorum will constitute at least half of the members of the committee but no less than three members. Proxies are allowed if reported to the Chair prior to the meeting. All meetings of the Finance Committee shall be open to all interested parties unless closed by the Chair of the Committee.

**Reporting**

The Finance Committee reports directly to the Board of Directors.

Southwest Power Pool, Inc.  
OVERSIGHT COMMITTEE  
Organizational Group Scope Statement

~~December~~ #### 20102012

### Purpose

The Oversight Committee (OC) is responsible for overseeing the process of monitoring compliance to SPP and NERC policies, including market monitoring, and internal compliance with NERC operating Standards.

### Scope of Activities

1. Oversee the process of monitoring compliance to SPP and NERC policies by SPP, its Members and registered entities;
2. Oversee the Internal Audit function and receive regular reports, except for work associated with controls audits and other financial requirements;
3. Oversee the Market Monitoring function and receive regular reports;
4. Oversee the Compliance function and receive regular reports;
5. Oversee and receive reports on Business Continuity Plans and assessments;
- ~~2-6.~~ Independently review activities of the Staff;
- ~~3-7.~~ Hear and rule on appeals from Members regarding penalty assessment or fine distribution, other than those resulting from the Compliance Monitoring and Enforcement Program, prior to dispute resolution proceedings;
- ~~4-8.~~ Recommend Criteria changes necessary for enforcement of mandatory compliance and in response to unclear enforcement provisions of Criteria;
- ~~5-9.~~ Grant specific additional authority to the Staff responsible for the compliance monitoring function when needed to perform challenging investigations;
- ~~6-10.~~ Complete a self-assessment annually to determine how effectively the OC is meeting its responsibilities; and
- ~~7-11.~~ Perform such other functions as the Board of Directors may delegate or direct.

### Representation

The Oversight Committee (OC) shall be comprised of three members from the Board of Directors appointed by the Board of Directors. Each representative of the OC shall continue to be a representative thereof until the Board of Directors appoints his/her successor. Where a vacancy occurs, the Board of Directors will fill the vacancy.

### Reporting

The Oversight Committee reports to the Board of Directors.

## Southwest Power Pool Bylaws

### Table of Contents

- 1.0 Definitions
- 2.0 Membership
  - 2.1 Qualifications
  - 2.2 Applications
  - 2.3 Member Responsibilities and Obligations
  - 2.4 Termination, Removal and Reinstatement
  - 2.5 Participation in Regional Entity Activities
- 3.0 Organizational Administration
  - 3.1 Structure
  - 3.2 Attendance and Proxy
  - 3.3 Leadership
    - 3.3.1 Appointment
    - 3.3.2 Terms
    - 3.3.3. Vacancies
  - 3.4 Executive Authority
  - 3.5 Meetings
  - 3.6 Order of Business
  - 3.7 Expenses
  - 3.8 Quorum
  - 3.9 Voting
    - 3.9.1. Markets and Operations Policy Committee and Membership
    - 3.9.2 Organizational Groups and Task Forces
  - 3.10 Appeal
  - 3.11 Staff Independence and Support
  - 3.12 Publications and Data Bases
  - 3.13 Dispute Resolution
    - 3.13.1 Instigation
    - 3.13.2 Dispute Resolution Process

- 3.13.3 Resolution Procedures
- 3.13.4 Expenses
- 3.13.5 Liability
- 3.14 Meeting of Members
- 3.15 Liability, Insurance and Indemnification
  - 3.15.1 Waiver of Liability
  - 3.15.2 Insurance
  - 3.15.3 Indemnification of Directors, Officers, Agents and Employees
  - 3.15.4 Limitations
- 3.16 Compliance with Membership Requirements
- 3.17 Market Monitoring
- 4.0 Board Of Directors
  - 4.1 Duties
  - 4.2 Composition and Qualifications
    - 4.2.1 Composition
    - 4.2.2 Qualifications
    - 4.2.3 Conflicts of Interest
  - 4.3 Term and Election
  - 4.4 Resignation and Removal of Directors
  - 4.5 Vacancies
  - 4.6 Functioning of the Board of Directors
    - 4.6.1 Meetings and Notice of Meetings
    - 4.6.2 Chair and Vice Chair; Election and Terms
    - 4.6.3 Quorum and Voting
    - 4.6.4 Compensation of Directors
    - 4.6.5 Executive Session
- 5.0 Committees Advising The Board Of Directors
  - 5.1 Members Committee
    - 5.1.1 Composition and Qualifications
    - 5.1.2 Term and Election
    - 5.1.3 Resignation and Removal of Members Committee Representatives

5.1.4 Vacancies

5.1.5 Meetings

6.0 Committees Reporting To The Board Of Directors

6.1 Markets and Operations Policy Committee

6.2 Strategic Planning Committee

6.3 Human Resources Committee

6.4 Oversight Committee

6.5 Finance Committee

6.6 Corporate Governance Committee

7.0 Regulatory Involvement And Regional State Committee

7.1 Retention of State Regulatory Jurisdiction

7.2 Regional State Committee

7.3 Retention of Other Regulatory Jurisdiction

8.0 Fiscal Administration

8.1 Operating Budget

8.2 Annual Membership Fee

8.3 ERO and Regional Entity Costs

8.4 Monthly Assessments

8.5 Fiscal Agent

8.6 Auditors

8.7 Financial Obligation of Withdrawing Members

8.7.1 Existing Obligations

8.7.2 Computation of a Member's Existing Obligations

8.7.3 [Obligation to Pay Network Service Termination Charges](#)

8.7.4 [Reliability Penalty Costs](#)

9.0 Regional Entity Function

9.1 Regional Entity

9.2 Regional Entity Staff

9.3 RE General Manager

9.4 Duties of Regional Entity Staff

9.5 Regional Reliability Standards Setting



- 9.6 Compliance Monitoring and Enforcement Program
- 9.7 Regional Entity Trustees
  - 9.7.1 Functions and Duties of the Regional Entity Trustees
  - 9.7.2 Composition and Qualifications
    - 9.7.2.1 Composition
    - 9.7.2.2 Qualifications
    - 9.7.2.3 Conflicts of Interest
  - 9.7.3 Term and Election
  - 9.7.4 Resignation and Removal of Regional Entity Trustees
  - 9.7.5 Vacancies
  - 9.7.6 Meetings and Notice of Meetings
  - 9.7.7 Chair
  - 9.7.8 Quorum and Voting
  - 9.7.9 Compensation of Regional Entity Trustees
  - 9.7.10 Executive Session
- 10.0 Amendments To These Bylaws, The Articles of Incorporation, and Membership Agreement
- 11.0 Effective Date and Transition Provisions

|

## **1.0 Definitions**

### **Affiliate Relationships**

Affiliate Relationships are relationships between SPP Members that have one or more of the following attributes in common:

- (a) are subsidiaries of the same company;
- (b) one Member is a subsidiary of another Member;
- (c) have, through an agency agreement, turned over control of a majority of their generation facilities to another Member;
- (d) have, through an agency agreement, turned over control of a majority of their transmission system to another Member, except to the extent that the facilities are turned over to an independent transmission company recognized by FERC;
- (e) have an exclusive marketing alliance between Members; or
- (f) ownership by one Member of ten percent or greater of another Member.

### **Articles of Incorporation**

SPP's articles of incorporation as filed with the state of Arkansas.

### **Board of Directors**

The Board of Directors of SPP, which shall manage the general business of SPP pursuant to these Bylaws.

### **Bylaws**

These bylaws.

### **Criteria**

Planning and operating standards and procedures as approved by the Board of Directors.

### **Existing Obligations**

Certain financial obligations as defined in Section 8.7.1 of these Bylaws.

**ERO**

The Electric Reliability Organization under FERC jurisdiction that regulates reliability of the electric power grid.

**Member**

An entity that has met the requirements of Section 2.2 of these Bylaws.

**Membership**

The collective Members of SPP.

**Membership Agreement**

The contract, that specifies the rights and obligations of the parties, executed between SPP and an entity seeking to become an SPP member.

**NERC**

The North American Electric Reliability Corporation or successor organizations.

**Net Energy for Load**

The electrical energy requirements of an electric system are defined as system net generation plus energy received from others, less energy delivered to others through interchange. It includes system losses but excludes energy required for the storage at energy storage facilities.

**Officers**

The officers of SPP as elected by the Board of Directors. The Officers consist of the President and the Corporate Secretary, at a minimum. Any Officer must be independent of any Member organization.

**Organizational Group**

A group, other than the Board of Directors, comprising a committee or working group that is charged with specific responsibilities toward accomplishing SPP's mission.

**Regional Criteria**

SPP planning and operating standards and procedures as approved by the Board of Directors.

**Regional Entity Trustees**

A governing body of SPP, independent of the Board of Directors, which specifically oversees SPP's function as an ERO Regional Entity pursuant to the Delegation Agreement between SPP and the ERO.

**Regional Reliability Standards**

Electric reliability requirements submitted to the ERO by the Regional Entity Trustees; and once approved, implemented and enforced by SPP under authority as the Regional Entity.

**Registered Entity(ies)**

A bulk electric system owner, operator or user that is required to comply with ERO reliability standards pursuant to the Energy Policy Act of 2005.

**SPP**

Southwest Power Pool, Inc.

**SPP Regional Entity**

That part of SPP responsible for the delegated functions pursuant to the Delegation Agreement between SPP and the ERO.

**SPP Compliance Monitoring and Enforcement Program**

The program used by the North American Electric Reliability Corporation (“NERC”) and the Regional Entities to monitor, assess, and enforce compliance with Reliability Standards within the United States.

### **Staff**

The technical and administrative staff of SPP as hired by the Officers to accomplish SPP’s mission.

### **Standards Development Team**

An SPP Organizational Group assigned or choosing to develop an SPP Regional Reliability Standard for submission to the ERO for approval for enforcement.

### **Terminated Member**

An entity that was a Signatory to the Membership Agreement but whose membership in SPP has been terminated under Section 4 of the Membership Agreement.

### **Transmission Owning Member**

A Member that has placed more than 500 miles of non-radial facilities operated at or above 60 kV under the independent administration of SPP for the provision of regional transmission service as set forth in the Membership Agreement.

### **Transmission Using Member**

A Member that does not meet the definition of a Transmission Owning Member.

#### 6.4 Oversight Committee

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

The Board of Directors shall appoint the representatives of the OC. Each representative of the OC shall continue to be a representative thereof until the Board of Directors appoints his/her successor. Where a vacancy occurs, the Board of Directors will fill the vacancy.

The OC shall meet as needed, provided that a quorum, as defined in these Bylaws, is present. The OC shall report to the Board of Directors following each OC meeting with respect to its activities and with such recommendations, as the OC deems necessary.

The responsibilities of the Oversight Committee shall include:

- (a) Oversee the process of monitoring compliance to SPP and NERC policies other than that assigned to the Regional Entity Trustees under these Bylaws;
- (b) Independently review activities of the Staff;
- (c) Hear and rule on appeals from Members regarding penalty assessment or fine distribution prior to dispute resolution proceedings;
- (d) Recommend Regional Criteria changes necessary for enforcement of mandatory compliance and in response to unclear enforcement provisions of Regional Criteria;
- (e) Grant specific additional authority to the Staff responsible for the oversight monitoring function when needed to perform challenging investigations;
- (f) Oversee the Internal Audit function and receive regular reports, except for that work associated with ~~SAS70—Audit—service organization controls audit~~ requirements and other financial matters;
- (g) Complete a self-assessment annually to determine how effectively the OC is meeting its responsibilities; and
- (h) Perform such other functions as the Board of Directors may delegate or direct.

## 6.5 Finance Committee

The Finance Committee (FC) shall be comprised of six members. Two representatives shall be from the Board of Directors, one of whom shall serve as the Chair; two representatives from the Transmission Owning Member sector as nominated by the Corporate Governance Committee; and two representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee.

The Board of Directors shall appoint the representatives of the FC. Each representative of the FC shall continue to be a representative thereof until the Board of Directors appoints his/her successor. Where a vacancy occurs the Corporate Governance Committee will fill the vacancy on an interim basis until the next meeting of the Board of Directors.

The FC shall meet at least twice per calendar year, and additionally as needed, provided that a quorum, as defined in these Bylaws, is present. The FC shall report to the Board of Directors following each FC meeting with respect to its activities and with such recommendations, as the FC deems necessary.

The responsibilities of the Finance Committee shall include assistance to the Board of Directors in fulfilling its responsibility to the Members, and investment community with respect to its oversight of:

- (a) The quality and integrity of SPP's financial statements;
- (b) SPP's compliance with financially-based legal and regulatory requirements;
- (c) The independent auditor's qualifications, selection, and independence;
- (d) The performance of SPP's internal audit function and independent auditors as relates to ~~SAS70 Audit~~ service organization controls audit requirements;
- (e) The development and implementation of annual and long-term operating and capital budgets;
- (f) The management of risk;
- (g) Develop policies for management of debt financing and for long-term contracting;
- (h) Monitoring methodology for cost recovery to ensure continuing equity for Members;
- (i) Other duties and responsibilities detailed in the Finance Committee charter; and
- (j) Perform such other functions as the Board of Directors may delegate or direct.

#### 8.4 Monthly Assessments

SPP will assess certain Members (and, as described below, Terminated Members) described herein on a monthly basis all costs not otherwise collected. Costs recovered under the assessment will include but are not limited to all operating costs, financing costs, debt repayment, and capital expenditures associated with the performance of SPP's functions as assigned by the Board of Directors. Significant among these are costs associated with regional reliability coordination and the provision of transmission service. SPP shall determine the assessment rate based on its annual budgeted net expenditures divided by estimated annual Schedule 1 billing units for service sold under SPP's OATT and Member load eligible to take, but not taking, Network Integration Transmission Service under SPP's OATT. The Board of Directors may review the assumptions used in determining the assessment rate at any time and may adjust the assessment rate appropriately should conditions warrant. Each load-serving Member shall then be assessed the monthly assessment rate applied to its load eligible to take Network Integration Transmission Service under the SPP OATT. Further, each load-serving Member shall receive a credit against the monthly assessment for that month's Schedule 1 fees paid for Network Integration Transmission Service and for Point-to-Point Transmission Service that had a delivery point within the SPP region, under the SPP OATT. To the extent that the assessment includes costs associated with penalties assessed against SPP for a violation of a reliability standard approved by FERC, the ERO, or an ERO-approved Regional Entity that SPP does not otherwise recover pursuant to Attachment AP of the SPP OATT, SPP shall recover such penalties under this Section 8.4 from both current Members and Terminated Members that were Members when the events giving rise to the penalty occurred.



## 8.7 Financial Obligation of Withdrawing Members

### 8.7.1 Existing Obligations

“Existing Obligations” are the following:

- a. Member’s unpaid annual membership fee.
- b. Member’s unpaid dues, assessments, and other amounts charged under Section 3.8 of the Membership Agreement, section 8.4 of the Bylaws, or otherwise under the Bylaws, plus the Member’s share of costs SPP customarily includes in such dues, assessments or other charges, but which as of the Termination Date SPP had not included in such dues, assessments or other charges.
- c. Member’s share (computed in accordance with the Bylaws) of the entire principal amounts of all SPP Financial Obligations outstanding as of the Termination Date. “Financial Obligations” are all long-term (in excess of six (6) months) financial obligations of SPP, including but not limited to the following:
  - i. debts under all mortgages, loans, loan agreements, borrowings, promissory notes, bonds, and credit lines, under which SPP is obligated, including principal and interest;
  - ii. all payment obligations under equipment leases, financing leases, capital leases, real estate and office space leases, consulting contracts, and contracts for outsourced services;
  - iii. any unfunded liabilities of any SPP employee pension funds, whether or not liquidated or demanded; and
  - iv. the general and administrative overhead of SPP for a period of three (3) months.
- d. Any costs, expenses or liabilities incurred by SPP directly due to the Termination, regardless of when incurred or payable, and including without limitation prepayment premiums or penalties arising under SPP Financial Obligations.

- e. Member's share (computed in accordance with the Bylaws) of all interest that will become due for payment with respect to all interest bearing Financial Obligations after the Termination Date and until the maturity of all Financial Obligations in accordance with their respective terms ("Future Interest"). In the event that a Financial Obligation carries a variable interest rate, the interest rate in effect at the Termination Date shall be used to calculate the applicable Future Interest. In determining the Member's share of Future Interest, SPP shall take into account any reduction of Financial Obligations due to mitigation under this Section.

### **8.7.2 Computation of a Member's Existing Obligations**

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

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

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

N = Total number of Members

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

C = Total of factor B for all Members

The Finance Committee shall have the discretion to reduce the Existing Obligations of any withdrawing or ~~Terminated~~ Member, to reflect any SPP costs or expenses that may be mitigated in connection with such Member's withdrawal or termination. In the event of consolidation of affiliate memberships or the transfer of membership from one corporate entity to another, whereby one entity remains a member of SPP, the withdrawal obligation for the departing company(ies) may be waived at SPP's sole discretion.

### **8.7.3 Obligation to Pay Network Service Termination Charges**

A Terminated Member shall be financially responsible to pay SPP for all applicable Network Service Termination Charges calculated pursuant to the OATT.

### **8.7.4 Reliability Penalty Costs**

A Terminated Member shall remain liable for its share of costs associated with penalties assessed against SPP by FERC, the FERC-approved Electric Reliability Organization, or any Electric Reliability Organization-approved Regional Entity that SPP incurs as a result of events that occurred prior to Member's Termination Date but that SPP is unable to recover under Attachment AP of the SPP OATT.

## **MEMBERSHIP AGREEMENT**

### **TABLE OF CONTENTS**

- 1.0 Definitions
- 2.0 Rights, Powers and Obligations of SPP
  - 2.1 Operation and Planning
    - 2.1.1 General
    - 2.1.2 Reliability
    - 2.1.3 Transmission Maintenance
    - 2.1.4 Generation Maintenance
    - 2.1.5 Planning Activities
  - 2.2 Non-Discriminatory Transmission Service
    - 2.2.1 Pricing
    - 2.2.2 Standards of Conduct
    - 2.2.3 OASIS
    - 2.2.4 Ancillary Services
    - 2.2.5 Transmission Service Scheduling
  - 2.3 Fiduciary Responsibilities and Duties of SPP to Members
  - 2.4 Additional Obligations of SPP
    - 2.4.1 Inspection and Auditing Procedures
    - 2.4.2 Stranded Cost Recovery Charges
- 3.0 Commitments, Rights, Powers, and Obligations of Member
  - 3.1 Redispatch and Curtailment
  - 3.2 Transmission and Generation Maintenance Practices
  - 3.3 Construction
  - 3.4 Use of Distribution Facilities
  - 3.5 Providing Information
  - 3.6 Facilities Access
  - 3.7 Inspection and Auditing Procedures
  - 3.8 Compliance and Bylaws and Other Policies and Procedures
  - 3.9 Planning and Participation
  - 3.10 Pricing
  - 3.11 No Waiver of Jurisdictional Immunity
  - 3.12 Compliance with State Law
- 4.0 Termination of Membership
  - 4.1 Events of Termination and Partial Termination
  - 4.2 Termination Procedures and Effective Dates
    - 4.2.1 Notice of Voluntary Withdrawal
    - 4.2.2 Effective Date of Termination
  - 4.3 Obligations Upon Termination
    - 4.3.1 Obligation to Hold Users Harmless

4.3.2 Obligation to Pay Current and Existing Obligations

4.3.3 Construction of Transmission Facilities

4.3.3A Continuing Payment for Base Plan Upgrades

4.3.3B Obligation to Pay Network Service Termination Charges

4.3.4 Regulatory and Other Approvals or Procedure

5.0 Regulatory, Tax, And Other Authorities

5.1 Regulatory and Other Authorities

5.2 Tax Authorities

5.3 Effectiveness as to Certain Members

6.0 Removal of Members

7.0 Effective Date, Duration, and Transition

8.0 Miscellaneous Provisions

8.1 Governing Law

8.2 Successors and Assigns

8.3 No Implied Waivers

8.4 Severability

8.5 Renegotiation

8.6 Representations and Warranties

8.7 Further Assurances

8.8 Delivery of Notices

8.9 Entire Agreement

8.10 Good Faith Efforts

8.11 Third Party Joint Agreements

8.12 Amendment

8.13 Counterparts

Appendix A

This Agreement is made between the Member and SPP, as defined herein.

## **1.0 Definitions**

### **Agreement**

This Membership Agreement.

### **Board of Directors**

The Board of Directors elected pursuant to the Bylaws.

### **Bylaws**

SPP's Bylaws or any successor document.

### **Distribution Facilities**

Facilities that are the subject of a separate distribution charge pursuant to the Open Access Transmission Tariff.

### **Effective Date**

This Agreement is effective on January 1, 2000 or upon the date of execution by Member if after January 1, 2000.

### **Electric Transmission System**

The transmission facilities subject to SPP's tariff administration, except for any Distribution Facilities.

### **Existing Obligations**

Shall have the meaning given in Section 4.3.2(b).

### **FERC**

The Federal Energy Regulatory Commission or successor organization.

### **Financial Obligations**

Shall have the meaning given in Section 4.3.2(b).

### **Future Interest**

Shall have the meaning given in Section 4.3.2(b).

### **Good Utility Practice**

Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice

is not intended to be limited to the optimum practice, method, or act, to the exclusion of all others, but rather to be a range of acceptable practices, methods, or acts generally accepted in the region. SPP Criteria and NERC Policies and Standards are considered Good Utility Practice.

**Member**

Signatory to this Agreement that has completed the application requirements pursuant to the Bylaws.

**NERC**

North American Electric Reliability Corporation or successor organizations.

**Non-Transmission Owner**

A Member that is not a Transmission Owner. A Non-Transmission Owner that owns or controls Tariff Facilities may have its status changed to a Transmission Owner under this Agreement upon notice to SPP and execution of this Agreement as a Transmission Owner.

**Open Access Transmission Tariff (OATT)**

The SPP nondiscriminatory, Open-Access Transmission Tariff (OATT) on file with FERC pursuant to Section 205 of the Federal Power Act under which SPP will offer transmission service, or any such successor tariff.

**Partial Termination**

Shall have the meaning given in Section 4.1.

**Regional Entity**

An entity having enforcement authority delegated to it by NERC pursuant to a delegation agreement accepted by FERC.

**Reliability Coordinator**

SPP, in performing its reliability coordinator function as recognized by NERC pursuant to its policies, and pursuant to SPP Criteria and this Agreement.

**SPP**

Southwest Power Pool, Inc., or successor organization.

**SPP Criteria**

SPP's approved operating and planning criteria.

**SPP Region**

The geographic area encompassing the transmission systems of Members that are Transmission Owners.

**Standards of Conduct**

SPP's Standards of Conduct that apply to the conduct of its directors, officers, employees, Regional Entity trustees, contractors, and agents.

**Tariff Facilities**

The Electric Transmission System and the Distribution Facilities subject to SPP's tariff administration.

**Termination**

Shall have the meaning given in Section 4.1.

**Termination Date**

Shall mean the date of Termination is effective in accordance with Section 4.2.2(b).

**Terminated Member**

An entity that was a Signatory to this Agreement but whose membership in SPP has been terminated under Section 4 of this Agreement.

**Transmission Customer**

A customer under the Open Access Transmission Tariff

**Transmission Owner**

A signatory to this Agreement which: (1) transfers functional control of Tariff Facilities related to the rates, terms and conditions of the OATT to SPP by executing this Agreement; or (2) appoints SPP under another agreement to provide service under the Transmission Tariff over Tariff Facilities which it owns or controls; or (3) is assigned by SPP to construct and accepts the obligation to construct new Tariff Facilities; or (4) undertakes another Transmission Owner's obligation to construct Tariff Facilities in accordance with Section 3.3(c) of this Agreement and Attachment O of the SPP OATT.



### 3.3 Construction

- (a) As part of its planning activities, SPP shall be responsible for planning, and for directing or arranging, necessary transmission expansions, additions, and upgrades that will enable it to provide efficient, reliable and non-discriminatory transmission service and to coordinate such efforts with the appropriate state authorities, including the Member's governing board where it serves as that authority. Transmission Owner shall use due diligence to construct transmission facilities as directed by SPP in accordance with the OATT and this Agreement, subject to such siting, permitting, and environmental constraints as may be imposed by state, local and federal laws and regulations, and subject to the receipt of any necessary federal or state regulatory approvals, including, as necessary, the Member's governing board where it serves as that authority. Such construction shall be performed in accordance with Good Utility Practice, applicable SPP Criteria, industry standards, Transmission Owner's specific reliability requirements and operating guidelines (to the extent these are not inconsistent with other requirements), and in accordance with all applicable requirements of federal or state regulatory authorities. Transmission Owner shall be fully compensated to the greatest extent permitted by FERC, or other regulatory authority for the costs of construction undertaken in accordance with the OATT.
- (b) After a new transmission project has received the required approvals and been approved by SPP, SPP will direct the appropriate Transmission Owner(s) to begin implementation of the project. If the project forms a connection between facilities of a single Transmission Owner, that Transmission Owner will be designated to provide the new facilities. If the project forms a connection between facilities owned by multiple parties, all parties will be designated to provide their respective new facilities. The parties will agree among themselves as to how much of

the project will be provided by each entity. If agreement cannot be reached, SPP will facilitate the ownership determination process.

- (c) A designated ~~provider~~ Transmission Owner for a project can elect to arrange for ~~a new~~ another entity or another Transmission Owner to build and/or own the project in its place, provided that such other entity executes this Agreement as a Transmission Owner and accepts all of the obligations of a Transmission Owner under this Agreement and the OATT. If a designated ~~provider(s)~~ Transmission Owner(s) does not or cannot agree to implement the project in a timely manner, SPP will solicit and evaluate proposals for the project from other entities and select a replacement.

**4.2 Termination Procedures and Effective Dates**

**4.2.1 Notice of Voluntary Withdrawal**

(a) Notice. Subject to Section 4.3, a Member may withdraw voluntarily from this Agreement, provided that it has given written notice to the President of its intent to withdraw. Notice of intent to withdraw must state a proposed date for the withdrawal and be delivered to the President no less than ~~twelve-twenty-four~~ (1224) months prior to such date. The President will advise the Members and the Board of Directors of any withdrawal notices received. In order to assure that there is no more than one proposed termination date with respect to a Member, a withdrawal notice shall be deemed to ~~supersede rescind~~ any prior withdrawal notice given by the Member, except that a Member may not submit a withdrawal notice less than twenty-four (24) months prior to the termination date proposed in the Member's previous notice of intent to withdraw. Voluntary withdrawal is a Termination and creates the same obligations as a Termination for any other reason.

(b) Withdrawal Deposit. A Member submitting a written notice of its intent to withdraw from this Agreement must simultaneously submit a cash withdrawal deposit to SPP, as set forth in the table below. SPP will not accept a notice of intent to withdraw without a withdrawal deposit. SPP will treat the withdrawal deposit as a pre-payment of a portion of the costs SPP incurs to process the Member's withdrawal from SPP, as set forth in Section 4.3.2(d) of this Agreement, or the costs associated with reintegrating the Member into SPP if the Member subsequently rescinds its notice of intent to withdraw and SPP incurs costs to reintegrate the Member. Withdrawal deposits are as follows:

<u>Member Category</u>	<u>Withdrawal Deposit</u>
<u>Load Serving Entity</u>	<u>\$ 150,000</u>
<u>Non-Load Serving Entity</u>	<u>\$ 50,000</u>

If the cost of processing Member's withdrawal as calculated by SPP pursuant to Section 4.3.2(d) of this Agreement exceeds the withdrawal deposit, the additional amount shall be included in the invoice SPP provides to the Member under 4.3.2(e) of this Agreement. If the Member rescinds its notice of intent to withdraw and the cost of processing the Member's withdrawal and

subsequent reintegration into SPP exceeds the withdrawal deposit, SPP shall invoice the Member for the amount of the cost that exceeds the deposit, and the Member shall provide payment to SPP within thirty (30) days of receipt of the invoice. If the withdrawal deposit exceeds the costs of processing the Member's withdrawal and/or reintegration, SPP shall refund the difference to the Member.

#### **4.2.2 Effective Date of Termination**

- (a) **Voluntary Withdrawal.** If the withdrawing Member is not a Transmission Owner subject to FERC jurisdiction, the Termination Date shall be the date proposed in the withdrawal notice under Section 4.2.1 or otherwise agreed by SPP. If the withdrawing Member is a Transmission Owner subject to FERC jurisdiction, the Termination Date shall be the later of (i) the proposed date specified in the withdrawal notice or otherwise agreed by SPP, (ii) the effective date, if any, set by the FERC order approving the withdrawal; or (iii) the date that such FERC order is no longer subject to review by a court of competent jurisdiction.
- (b) **Termination other than Voluntary Withdrawal.** If the Termination occurs for any reason other than the Member's voluntary withdrawal under Section 4.2.1 or by agreement with SPP, the Termination Date shall be as follows:
- (i) If the Member is not a Transmission Owner subject to FERC jurisdiction, the Termination Date shall be the date of the event by which the Termination occurs, for example, the date a party gives notice that it will treat a breach or repudiation as a Termination or the date a Member withdraws in order to comply with the terms of a law or regulation. The foregoing notwithstanding, if the Termination occurs due to the order of a court or administrative agency, the Termination Date shall be the date the order is no longer subject to review by a court of competent jurisdiction.
  - (ii) If the Member is a Transmission Owner requiring regulatory agency approval prior to effectively withdrawing from SPP, then the Termination Date shall be the later of (i) the effective date, if

any, set by the regulatory agency order approving the Termination; or (ii) the date that such regulatory order is no longer subject to review by a court of competent jurisdiction.

- (iii) In conjunction with the requirements and limitations imposed in Section 4.2.2(b)(ii) above; Transmission Owning Members of SPP wishing to withdraw from SPP and requiring regulatory agency approval prior to such withdrawal being effective are required to initiate the required regulatory filings seeking approval to withdraw prior to the end of the ~~12-24~~-month notice period. Additionally, these members must provide SPP copies of the regulatory filings in a timely manner after filing with the appropriate regulatory agency. Failure to comply with the terms of this paragraph will effectively rescind the notice of the withdrawing member.
- (iv) Member may terminate this Agreement with less than the required ~~twelve-twenty-four~~ (~~1224~~) months notice, in the event that the state law governing Member changes, or any provisions of this Agreement or the provisions of SPP's OATT are changed or modified in a manner that causes a conflict with the Member's state law, regulations, or rate schedules, and the internal dispute resolution process described in Section 12 of the OATT is unable to resolve such conflict. In such event, Member and SPP shall meet and confer to facilitate the withdrawal as soon as practicable as necessary to ensure compliance with state law.

### **4.3 Obligations Upon Termination**

#### **4.3.1 Obligation to Hold Users Harmless**

Transmission Customers taking service which involves facilities being withdrawn by a Transmission Owner from the functional control of SPP and where such service is under transmission contracts executed before the Termination Date shall continue to receive the same service for the remaining term of each such contract at the same rates, terms, and conditions that would have been applicable if the Termination or Partial Termination had not occurred. Transmission Owner agrees to continue providing service to such Transmission Customers in accordance with the preceding sentence, and shall receive revenues calculated in accordance with the OATT but no more in revenues for that service than if there had been no Termination or Partial Termination.

#### **4.3.2 Obligation to Pay Current and Existing Obligations**

- (a) In the event of a Termination or Partial Termination, Member shall pay all obligations incurred under this Agreement at any time prior to the Termination Date. In addition, in order for SPP to recover a portion of certain debts and cost payable by SPP after the Termination Date as further specified in this Agreement, the Member shall pay all Existing Obligations (as defined herein) calculated as of the Termination Date. SPP shall make reasonable efforts to mitigate the Member's Existing Obligations by commercially reasonable actions (such as prepayment of allocable debt, or investment of part or all of the Member's payment in an interest-bearing instrument) and, in its discretion, may further discount the Member's Existing Obligations to reflect any additional mitigation SPP determines it will achieve.
- (b) "Existing Obligations" are all of the following and other obligations as may be set forth in the Bylaws from time to time;
- i. Member's unpaid annual membership fee,
  - ii. Member's unpaid dues, assessments, and other amounts charged under Section 3.8 of this Agreement, Section 8.4 of the Bylaws, or

otherwise under the Bylaws, plus the Member's share of costs SPP customarily includes in such dues, assessments or other charges, but which as of the Termination Date SPP had not included in such dues assessments or other charges.

- iii. Member's share (computed in accordance with the Bylaws) of the entire principal amounts of all SPP Financial Obligations outstanding as of the Termination Date. "Financial Obligations" are all long-term (in excess of six (6) months) financial obligations of SPP, including but not limited to the following:
  - a. debts under all loans, mortgages, loan agreements, borrowings, promissory notes, bonds, and credit lines under which SPP is obligated, including principal and interest;
  - b. all payment obligations under equipment leases, financing leases, capital leases, real estate and office space leases, consulting contracts, and contracts for outsourced services;
  - c. any unfunded liabilities of any SPP employee pension funds, whether or not liquidated or demanded; and
  - d. the general and administrative overhead of SPP for a period of three (3) months.
- iv. Any costs, expenses or liabilities incurred by SPP directly due to the Termination, regardless of when incurred or payable, and including without limitation prepayment premiums or penalties arising under SPP Financial Obligations.
- v. Member's share (computed in accordance with the Bylaws) of all interest that will become due for payment with respect to all interest bearing Financial Obligations after the Termination Date and until the maturity of all Financial Oblations in accordance with their respective terms ("Future Interest"). In the event that a Financial Obligation carries a variable interest rate, the interest rate in effect at the Termination Date shall be used to calculate the

applicable Future Interest. In determining the Member's share of Future Interest, SPP shall take into account any reduction of Financial Obligations due to mitigation under this Section.

- (c) In the event of a Partial Termination, Existing Obligations shall first be calculated as though a Termination occurred, and the Member shall pay a percentage thereof as Existing Obligations due to the Partial Termination. Such percentage shall be the percentage reduction of the Net Energy for Load Ratio applicable to the Member resulting from the Partial Termination.
- (d) In the event of a Termination or Partial Termination by a Member, the Member shall pay to SPP all costs SPP incurs to remove the Member's transmission facilities and/or customers from SPP markets and operations. Such costs will be determined by SPP and shall include but not be limited to costs associated with modifying systems and databases, staff time, legal costs, and all costs of completing other tasks necessary to process the Member's Termination. SPP will apply the Member's withdrawal deposit, as specified in Section 4.2.1(a), to such costs, and any costs exceeding the withdrawal deposit shall be included in the invoice to the Member as discussed in Section 4.3.2(e) of this Agreement.
- ~~(de)~~ SPP shall invoice Member for Existing Obligations within one month after the Termination Date, except that delay by SPP in issuing the invoice shall not diminish Member's obligation to make timely payment. The invoice shall be due and payable no later than five (5) business days after issuance. Any amounts owed by SPP to the Member shall, solely at SPP's election and in its discretion, be offset against the Member's Existing Obligations or paid to the Member concurrently with issuance of the invoice.
- ~~(ef)~~ The Member acknowledges and agrees that Existing Obligations include amounts that SPP expects to accrue and that will become payable by SPP between the date of Member's Notice of Termination and the Member's Termination Date, and that no part of a payment of Existing Obligations



shall be refundable to the Member under any circumstances, including (except as provided in this Section with respect to mitigation or the execution of a new Membership Agreement by the Member after the Member's Termination) any reduction of the Financial Obligations. Any disagreement as to the calculation of Existing Obligations shall be resolved in accordance with the dispute resolution procedures in the Bylaws. If, after Termination, the Member elects to re-join SPP and execute the Membership Agreement then in effect, SPP, in its sole discretion, may elect to credit a portion or all of the Member's Existing Obligations paid to SPP upon the Member's earlier Termination against any future payments owed by the Member to SPP.

#### **4.3.3 Construction of Transmission Facilities**

Any obligations relating to the construction of new facilities pursuant to an approved plan of SPP shall be renegotiated between SPP and the Transmission Owner prior to the Termination Date so as to continue the Transmission Owner's construction obligation~~or promptly thereafter~~. If such obligations cannot be resolved through negotiations, they shall be resolved in accordance with the dispute resolution procedures in the Bylaws.

##### **4.3.3A Continuing Payment for Base Plan Upgrades**

Upon withdrawal of a Transmission Owner's Base Plan Upgrades ("Withdrawn Base Plan Upgrades"), customers allocated construction costs associated with such Withdrawn Base Plan Upgrades under Attachment J of the OATT shall continue to be permitted to use such Withdrawn Base Plan Upgrades and SPP shall be permitted to continue to provide service using such Withdrawn Base Plan Upgrades to such customers. Such customers shall continue to pay their share of the Annual Transmission Revenue Requirements associated with such Withdrawn Base Plan Upgrades, which shall be collected by SPP and remitted to the Terminated Member. Charges associated with Withdrawn Base Plan Upgrades shall be calculated using the methodology for calculating Base Plan Zonal charges and Base Plan Region-wide charges applicable to the

customer's service as specified in Schedule 11 of the OATT. Continuing service on such Withdrawn Base Plan Upgrades and continuing payments to a Terminated Member shall be governed by a seams agreement to be negotiated by SPP and the Terminated Member.

**4.3.3B Obligation to Pay Network Service Termination Charges**

A Terminated Member shall be financially responsible to pay SPP for all applicable Network Service Termination Charges calculated pursuant to the OATT.

**4.3.4 Regulatory and Other Approvals or Procedures**

Any Termination with respect to a Transmission Owner shall be subject to applicable federal and state law and regulatory approvals or procedures.

Southwest Power Pool, Inc.  
Open Access Transmission Tariff  
Sixth Revised Volume No. 1  
Superseding  
Fifth Revised Volume No. 1

**I. COMMON SERVICE PROVISIONS**

- 1 Definitions
  - A - Definitions
  - B - Definitions
  - C - Definitions
  - D - Definitions
  - E - Definitions
  - F - Definitions
  - G - Definitions
  - H - Definitions
  - I - Definitions
  - J - Definitions
  - K - Definitions
  - L - Definitions
  - M - Definitions
  - N - Definitions
  - O - Definitions
  - P - Definitions
  - Q - Definitions
  - R - Definitions
  - S - Definitions
  - T - Definitions
  - U - Definitions
  - V - Definitions
  - W - Definitions
  - XYZ - Definitions
- 2 Initial Allocation and Renewal Procedures
  - 2.1 Initial Allocation of Available Transfer Capability
  - 2.2 Reservation Priority For Existing Firm Service Customers
- 3 Ancillary Services
- 4 Open Access Same-Time Information System (OASIS)
- 5 Local Furnishing Bonds
  - 5.1 Transmission Owners That Own Facilities Financed by Local Furnishing Bonds or that are Tax Exempt Entities
  - 5.2 Alternative Procedures for Requesting Transmission Service
- 6 Reciprocity
- 7 Billing and Payment
  - 7.1 Billing Procedure
  - 7.2 Interest on Unpaid Balances
  - 7.3 Financial Security Held By SPP
  - 7.4 Customer Default
- 8 Accounting for Use of the Tariff
  - 8.1 Study Costs and Revenues
- 9 Regulatory Filings
- 10 Force Majeure and Indemnification

- 10.1 Force Majeure
- 10.2 Liability
- 10.3 Indemnification
- 10.4 Further Limitation of Liability
- 10.5 Transmission Provider Recovery
- 11 Creditworthiness
- 12 Dispute Resolution Procedures
  - 12.1 Internal Dispute Resolution Procedures
  - 12.2 External Arbitration Procedures
  - 12.3 Arbitration Decisions
  - 12.4 Costs
  - 12.5 Rights Under The Federal Power Act
- II. POINT-TO-POINT TRANSMISSION SERVICE
- 13 Nature of Firm Point-To-Point Transmission Service
  - 13.1 Term
  - 13.2 Reservation Priority
  - 13.3 Use of Firm Transmission Service by the Transmission Owners
  - 13.4 Service Agreements
  - 13.5 Transmission Customer Obligations for Facility Additions or Redispatch Costs
  - 13.6 Curtailment of Firm Transmission Service
  - 13.7 Classification of Firm Transmission Service
  - 13.8 Scheduling of Firm Point-To-Point Transmission Service
- 14 Nature of Non-Firm Point-To-Point Transmission Service
  - 14.1 Term
  - 14.2 Reservation Priority
  - 14.3 Use of Non-Firm Point-To-Point Transmission Service by the Transmission Owner(s)
  - 14.4 Service Agreements
  - 14.5 Classification of Non-Firm Point-To-Point Transmission Service
  - 14.6 Scheduling of Non-Firm Point-To-Point Transmission Service
  - 14.7 Curtailment or Interruption of Service
- 15 Service Availability
  - 15.1 General Conditions
  - 15.2 Determination of Available Transfer Capability
  - 15.3 Initiating Service in the Absence of an Executed Service Agreement
  - 15.4 Obligation to Provide Transmission Service that Requires Expansion or Modification of the Transmission System
  - 15.5 Deferral of Service
  - 15.6 Other Transmission Service Schedules
  - 15.7 Real Power Losses
- 16 Transmission Customer Responsibilities
  - 16.1 Conditions Required of Transmission Customers
  - 16.2 Transmission Customer Responsibility for Third-Party Arrangements
- 17 Procedures for Arranging Firm Point-To-Point Transmission Service

- 17.1 Application
- 17.1a Time Requirements
- 17.2 Completed Application
- 17.3 Credit Arrangements
- 17.4 Notice of Deficient Application
- 17.5 Response to a Completed Application
- 17.6 Execution of Service Agreement
- 17.7 Extensions for Commencement of Service
- 17.8 Designated Resources Using Long-Term Point-To-Point Transmission Service
- 17.9 Interconnection of Delivery Points
- 18 Procedures for Arranging Non-Firm Point-To-Point Transmission Service
  - 18.1 Application
  - 18.2 Completed Application
  - 18.3 Timing of Requests and Responses Regarding Reservation of Non-Firm Point-To-Point Transmission Service
  - 18.4 Determination of Available Transfer Capability
- 19 Additional Study Procedures For Firm Point-To-Point Transmission Service Requests
  - 19.1 Notice of Need for System Impact Study
  - 19.2 System Impact Study Agreement and Cost Reimbursement
  - 19.3 System Impact Study Procedures
  - 19.4 Facilities Study Procedures
  - 19.5 Facilities Study Modifications
  - 19.6 Due Diligence in Completing New Facilities
  - 19.7 Partial Interim Service
  - 19.8 Expedited Procedures for New Facilities
  - 19.9 Reporting Failure to Meet Study Deadlines
- 20 Procedures if The Transmission Provider is Unable to Complete New Transmission Facilities for Firm Point-To-Point Transmission Service
  - 20.1 Delays in Construction of New Facilities
  - 20.2 Alternatives to the Original Facility Additions
  - 20.3 Refund Obligation for Unfinished Facility Additions
- 21 Provisions Relating to Transmission Construction and Services on the Systems of Other Utilities
  - 21.1 Responsibility for Third-Party System Additions
  - 21.2 Coordination of Third-Party System Additions
- 22 Changes in Service Specifications
  - 22.1 Modifications On a Non-Firm Basis
  - 22.2 Additional Charge To Prevent Abuse
  - 22.3 Modification On a Firm Basis
- 23 Sale or Assignment of Transmission Service
  - 23.1 Procedures for Assignment or Transfer of Service
  - 23.2 Limitations on Assignment or Transfer of Service
  - 23.3 Information on Assignment or Transfer of Service

- 24 Metering and Power Factor Correction at Receipt and Delivery Points(s)
  - 24.1 Transmission Customer Obligations
  - 24.2 Transmission Provider Access to Metering Data
  - 24.3 Power Factor
- 25 Compensation for Transmission Service
- 26 Stranded Cost Recovery
- 27 Compensation for New Facilities and Redispatch Costs
- III. NETWORK INTEGRATION TRANSMISSION SERVICE
- 28 Nature of Network Integration Transmission Service
  - 28.1 Scope of Service
  - 28.2 Transmission Provider and Transmission Owners Responsibilities
  - 28.3 Network Integration Transmission Service
  - 28.4 Secondary Service
  - 28.5 Real Power Losses
  - 28.6 Restrictions on Use of Service
- 29 Initiating Service
  - 29.1 Condition Precedent for Receiving Service
  - 29.2 Application Procedures
  - 29.3 Technical Arrangements to be Completed Prior to Commencement of Service
  - 29.4 Network Customer Facilities
  - 29.5 Filing of Service Agreement
- 30 Network Resources
  - 30.1 Designation of Network Resources
  - 30.2 Designation of New Network Resources
  - 30.3 Termination of Network Resources
  - 30.4 Operation of Network Resources
  - 30.5 Network Customer Redispatch Obligation
  - 30.6 Transmission Arrangements for Network Resources Not Physically Interconnected With The Transmission Provider
  - 30.7 Limitation on Designation of Network Resources
  - 30.8 Use of Interface Capacity by the Network Customer
  - 30.9 Network Customer Owned Transmission Facilities
- 31 Designation of Network Load
  - 31.1 Network Load
  - 31.2 New Network Loads Connected With the Transmission Provider
  - 31.3 Network Load Not Physically Interconnected with the Transmission Provider
  - 31.4 New Interconnection Points
  - 31.5 Changes in Service Requests
  - 31.6 Annual Load and Resource Information Updates
- 32 Additional Study Procedures For Network Integration Transmission Service Requests
  - 32.1 Notice of Need for System Impact Study
  - 32.2 System Impact Study Agreement and Cost Reimbursement

- 32.3 System Impact Study Procedures
- 32.4 Facilities Study Procedures
- 32.5 Penalties for Failure to Meet Study Deadlines
- 32.6 Facilities Study Modifications
- 32.7 Due Diligence in Completing New Facilities
- 32.8 Partial Interim Service
- 32.9 Expedited Procedures for New Facilities
- 32.10 Delays in Construction of New Facilities
- 32.11 Alternatives to the Original Facility Additions
- 33 Load Shedding and Curtailments
  - 33.1 Procedures
  - 33.2 Transmission Constraints
  - 33.3 Cost Responsibility for Relieving Transmission Constraints
  - 33.4 Curtailments of Scheduled Deliveries
  - 33.5 Allocation of Curtailments
  - 33.6 Load Shedding
  - 33.7 System Reliability
- 34 Rates and Charges
  - 34.1 Monthly Demand Charge for all Zones except Zone 1
  - 34.2 Monthly Demand Charge – Zone 1
  - 34.3 Monthly Demand Charge – Zone 11
  - 34.4 Determination of Network Customer's Monthly Network Load
  - 34.5 Determination of Transmission Provider's Monthly Zone Transmission Load
  - 34.6 Redispatch Charge
  - 34.7 Stranded Cost Recovery
  - 34.8 SPP Costs
- 35 Operating Arrangements
  - 35.1 Operation under the Network Operating Agreement
  - 35.2 Network Operating Agreement
- 36 Scheduling
- IV. SPECIAL RULES ON USE OF TARIFF
- 37 During Transition Period
  - 37.1 Service Not Required for Bundled Customers or Customers Under Retail Access Programs
  - 37.2 Availability of Network Integration Transmission Service
  - 37.3 Unbundled Wholesale
  - 37.4 Grandfathered Transactions
- 38 After Transition Period
  - 38.1 Applicability to Retail Load Having Choice
  - 38.2 Applicability to All Retail Load Not Having Choice
  - 38.3 Grandfathered Agreements
- 39 Applicability of Non-Rate Terms and Conditions
  - 39.1 Subject to State Laws and Regulations and Public Power Rate Schedules
  - 39.2 Bundled Retail and Grandfathered Load



- V. RECOVERY OF COSTS FOR BASE PLAN UPGRADES AND APPROVED BALANCED PORTFOLIOS
  - 40 Base Plan Zonal Charge and Region-wide Charge
  - 41 Applicability to Resident Load
  - 42 Applicability to Point-To-Point Transmission Service
- SCHEDULE 1
  - Scheduling, System Control and Dispatch Service
- SCHEDULE 1-A
  - Tariff Administration Service
- SCHEDULE 2
  - Reactive Supply and Voltage Control from Generation or Other Sources Service
- SCHEDULE 3
  - Regulation and Frequency Response Service
- SCHEDULE 4
  - Energy Imbalance Service
- SCHEDULE 5
  - Operating Reserve - Spinning Reserve Service
- SCHEDULE 6
  - Operating Reserve - Supplemental Reserve Service
- SCHEDULE 7
  - Long-Term Firm and Short-Term Firm Point-To-Point Transmission Service
- SCHEDULE 8
  - Non-Firm Point-To-Point Transmission Service
- SCHEDULE 9
  - Network Integration Transmission Service
- SCHEDULE 10
  - Wholesale Distribution Service
- SCHEDULE 11
  - Base Plan Zonal Charge and Region-wide Charge
- SCHEDULE 12
  - FERC Assessment Charge
- SCHEDULE 13
  - Network Service Termination Charges
- ATTACHMENT A
  - Form Of Service Agreement For Firm Point-To-Point Transmission Service
- ATTACHMENT A-1
  - Form Of Service Agreement For The Resale, Reassignment Or Transfer Of Point-To-Point Transmission Service
- ATTACHMENT B
  - Form Of Service Agreement For Non-Firm Point-To-Point Transmission Service
- ATTACHMENT C
  - Methodology To Assess Available Transfer Capability
- ATTACHMENT D
  - Methodology for Completing a System Impact Study
- ATTACHMENT E

Index Of Point-To-Point Transmission Service Customers
ATTACHMENT F
Service Agreement For Network Integration Transmission Service
ATTACHMENT G
Network Operating Agreement
ATTACHMENT H
Annual Transmission Revenue Requirement for Network Integration Transmission Service
ATTACHMENT I
Index Of Network Integration Transmission Service Customers
ATTACHMENT J
Recovery Of Costs Associated With New Facilities
ATTACHMENT K
Redispatch Procedures and Redispatch Costs
ATTACHMENT L
Treatment Of Revenues
ATTACHMENT M
Loss Compensation Procedure
ATTACHMENT N
Form of Service Agreement For Loss Compensation Service
ATTACHMENT O
Transmission Planning Process
ATTACHMENT P
Schedule of Firm Point-To-Point Transmission Service
ATTACHMENT Q
Form of Application For Short-Term Firm and Non-Firm Transmission Service
ATTACHMENT R
North American Electric Reliability Council Transmission Loading Relief (“TLR”) Procedure
ATTACHMENT R-1
North American Energy Standards Board Business Practices
ATTACHMENT S
Procedure for Calculation of MW-Mile Impacts for Use in Revenue Requirements, Revenue Allocation and Determination of Losses
ATTACHMENT T
Rate Sheets For Point-To-Point Transmission Service
ATTACHMENT U
Rate Schedule For Compensation For Rescheduled Maintenance Costs
ATTACHMENT V
Coordinated Generation Interconnection Procedures
ATTACHMENT W
Index of Grandfathered Agreements
ATTACHMENT X
Credit Policy
ATTACHMENT Y

Reserved for Future Use  
ATTACHMENT Z1  
Aggregate Transmission Service Study Procedures and Cost Allocation and Recovery for  
Service Upgrades  
ATTACHMENT Z2  
Revenue Crediting for Upgrades  
ATTACHMENT AA  
Reserved for Future Use  
ATTACHMENT AB  
Reserved For Future Use  
ATTACHMENT AC  
Reservation Processing Method For Short Term Firm Transmission Service  
ATTACHMENT AD  
Southwestern Power Administration Agreement Between United States Of America and  
Southwest Power Pool, Inc  
ATTACHMENT AE  
Energy Imbalance Service Market  
ATTACHMENT AF  
Market Power Mitigation Plan  
ATTACHMENT AG  
Market Monitoring Plan  
ATTACHMENT AH  
Market Participant Service Agreement  
ATTACHMENT AI  
Transmission Definition  
ATTACHMENT AJ  
Reserved for Future Use  
ATTACHMENT AK  
Treatment of Reserve Sharing Charges and Revenues  
ATTACHMENT AL  
Form of Non-Disclosure Agreement for Authorized Requestors  
ATTACHMENT AM  
Meter Agent Services Agreement  
ATTACHMENT AN  
Balancing Authorities Agreement  
ATTACHMENT AO  
Agreement Establishing External Generation Non-Physical Electrical Interconnection  
Point  
ATTACHMENT AP  
Allocation of Cost Associated with Reliability Penalty Assessments  
ATTACHMENT AQ  
Delivery Point Addition Process  
ATTACHMENT AR  
Screening Study

**SCHEDULE 13**  
**NETWORK SERVICE TERMINATION CHARGES**

A Member that terminates or partially terminates its Membership Agreement with SPP (“Terminated Member”) shall be responsible for paying Network Service Termination Charges pursuant to this Schedule 13. Upon the effective date of the termination of the Member’s Membership Agreement (“Termination Date”), the Terminated Member shall continue to pay to SPP the Terminated Member’s share of the revenue requirements related to transmission facilities that were approved for inclusion in an SPP transmission plan prior to the Termination Date, as provided below.

SPP shall establish a list of the transmission facilities for which the Terminated Member is responsible to continue to pay after the Termination Date, which SPP shall file with the Commission as an Addendum to this Schedule 13. The list shall include only existing transmission facilities that have been placed into service or planned facilities for which SPP has authorized construction pursuant to Attachment O of the Tariff (issued a notification to construct) as of the Termination Date that are:

- (1) Base Plan Upgrades allocated pursuant to Attachment J of the Tariff to the Base Plan Zonal Annual Transmission Revenue Requirement for each Zone in which the Terminated Member’s load was located prior to the Termination Date;
- (2) Base Plan Upgrades allocated on a Region-wide basis pursuant to Attachment J of the Tariff prior to the Termination Date; or
- (3) Transmission facilities that were directly allocated to the Terminated Member’s load.

The Terminated Member shall continue to pay its proportionate share of the Annual Transmission Revenue Requirement (“ATRR”) associated with each transmission facility in the list established by SPP until the costs of the transmission facilities have been fully amortized. Each Transmission Owner responsible for the construction and/or ownership of the transmission facilities in the list shall establish a Base Plan Zonal ATRR and/or Region-wide ATRR, as applicable, for each transmission facility in the list using the Transmission Owner’s ATRR calculation methodology set forth in Attachment H. The Base Plan Zonal ATRR and/or Region-

wide ATRR shall be set forth in the Addendum to this Schedule 13 that SPP files with the Commission.

The Terminated Member's proportionate share of the ATRR for each transmission facility shall be calculated as follows:

- (1) The Terminated Member's Base Plan Zonal Load Ratio Share (as calculated pursuant to Schedule 11 of this Tariff) multiplied by the Base Plan Zonal ATRR for each transmission facility in the list; and
- (2) The Terminated Member's Region-wide Load Ratio Share (as calculated pursuant to Schedule 11 of this Tariff) multiplied by the Region-wide ATRR for each transmission facility in the list ; and
- (3) The ATRR for each transmission facility that was directly allocated to the Terminated Member's load.

In the event of a partial termination as defined in the Membership Agreement, the Terminated Member's Base Plan Zonal Load Ratio Share and Region-wide Load Ratio Share shall be calculated using the portion of the Terminated Member's load that is subject to the Partial Termination.

The Terminated Member shall continue to provide all load data necessary for SPP to calculate the Terminated Member's Load Ratio Share, until such time as the Terminated Member's obligation to pay Network Service Termination Charges ceases.

The responsibility to pay Network Service Termination Charges and the methodology for calculating such charges may be subject to change pursuant to section 205 of the Federal Power Act if SPP's transmission cost allocation methodologies are modified.

**ATTACHMENT H**  
**ANNUAL TRANSMISSION REVENUE REQUIREMENT FOR NETWORK**  
**INTEGRATION TRANSMISSION SERVICE**

**SECTION I: General Requirements**

1. The Zonal Annual Transmission Revenue Requirement within each Zone for purposes of determining the charges under Schedule 9, Network Integration Transmission Service, is specified in Column (3) of Table 1. The Base Plan Zonal Annual Transmission Revenue Requirement used to determine the zonal charges under Schedule 11 for Base Plan Upgrades issued a Notification to Construct (NTC) prior to June 19, 2010 is specified in Column (4) of Table 1. The Base Plan Zonal Annual Transmission Revenue Requirement used to determine the zonal charges under Schedule 11 for Base Plan Upgrades issued an NTC on or after June 19, 2010 is specified in Column (5) of Table 1. The amount of Zonal Annual Transmission Revenue Requirement and Base Plan Zonal Annual Transmission Revenue Requirement that is included in Columns (3), (4), and (5) and reallocated to the Region-wide Annual Transmission Revenue Requirement, in accordance with Attachment J, is specified in Column (6) of Table 1.

Table 1

(1) Zone	(2)	(3) Zonal ATRR	(4) Base Plan Zonal ATRR	(5) Base Plan Zonal ATRR after June 19, 2010	(6) ATRR Reallocated to Balanced Portfolio Region-wide ATRR
1	American Electric Power –West (Total)	\$133,978,649	\$22,019,168		\$0
	American Electric Power (Public Service Company of Oklahoma and Southwestern Electric Power Company) See Section II.3	\$129,472,718	\$21,870,984		
	East Texas Electric Cooperative, Inc.	\$2,733,879			
	Tex-La Electric Cooperative of	\$588,874			

	Texas, Inc.				
	Deep East Texas Electric Cooperative, Inc.	\$428,131			
	Oklahoma Municipal Power Authority	\$748,647			
	AEP West Transmission Companies (AEP Oklahoma Transmission Company, Inc and AEP Southwestern Transmission Company, Inc)	\$6,400	\$148,184		
2	Reserved for Future Use				
3	City Utilities of Springfield, Missouri	\$8,651,509	\$27,936		\$0
4	Empire District Electric Company	\$14,075,000	\$62,877		\$0
5	Grand River Dam Authority (Est.)	\$35,949,660	\$243,047		\$0
6	Kansas City Power & Light Company	\$29,341,593	\$2,882,669		\$0
7	Oklahoma Gas & Electric (Total)	\$85,769,264	\$5,438,608		\$0
	Oklahoma Gas & Electric	\$85,400,763			
	Oklahoma Municipal Power Authority	\$368,501			
8	Midwest Energy, Inc.	\$7,830,571	\$139,977		\$0
9	KCP&L Greater Missouri Operations Company	\$29,025,803	\$861,719		\$0
10	Southwestern Power Administration	\$13,107,700	\$0		\$0
11	Southwestern Public Service	\$101,879,336	\$5,741,648		\$0
12	Sunflower Electric Corporation	\$14,484,045	\$517,924		\$0
13	Western Farmers Electric Cooperative	\$20,719,639	\$3,113,019		\$0
14	Westar Energy, Inc. (Kansas Gas & Electric and Westar Energy) (Total)	\$122,022,353	\$16,104,197		\$0
14a	Westar Energy, Inc. (Kansas Gas & Electric and Westar Energy)	\$122,022,353			
14b	Prairie Wind Transmission, LLC.	\$0			
15	Mid-Kansas Electric Company (Total)	\$16,484,778	\$587,129		\$0
15a	Mid-Kansas Electric Company	\$15,142,441			
15b	ITC Great Plains	\$1,342,337			
15c	Prairie Wind Transmission, LLC.	\$0			
16	Lincoln Electric System	\$18,666,891	\$84,138		\$0
17	Nebraska Public Power District	\$42,351,258	\$12,618,219		\$0

18	Omaha Public Power District	\$40,663,008	\$1,980,644		\$0
19	Total				\$0

2. For the purposes of determining the Region-wide Charges under Schedule 11, the Region-wide Annual Transmission Revenue Requirement, as shown in Line 5 of Table 2, shall be the sum of (i) the Base Plan Region-wide Annual Transmission Revenue Requirement, and (ii) the total Balanced Portfolio Region-wide Annual Transmission Revenue Requirements.

Table 2

1	Base Plan Region-wide ATRR (NTC prior to June 19, 2010)	\$35,599,213
2	Base Plan Region-wide ATRR (NTC on or after June 19, 2010)	\$3,353,543
3	Total Balanced Portfolio Region-wide ATRR Total, Column (6), Table 1	\$0
4	Balanced Portfolio Region Wide ATRR	\$11,261,429
5	Region-wide ATRR (Line 1 + Line 2 + Line 3 + Line 4)	\$50,214,185

3. The revenue requirements stated in this Attachment H shall not be changed absent a filing with the Commission, accompanied by all necessary cost support.
4. New or amended revenue requirements in this Attachment H shall not be filed with the Commission by the Transmission Provider unless such revenue requirements have been provided by or for a Transmission Owner. Such revenue requirements shall have been accepted or approved by the applicable regulatory or governing authority except in the event of a simultaneous filing with the Commission by the Transmission Owner and Transmission Provider.
5. If a Transmission Owner has a Commission approved formula rate, the successful completion of its approved annual formula rate update procedures shall constitute regulatory acceptance sufficient to authorize the Transmission Provider to file with the Commission to update that Transmission Owner's revenue requirements. The Transmission Provider shall follow any special procedures related to updating a Transmission Owner's revenue requirements as outlined in Section II of this Attachment.
6. The Transmission Provider shall allocate the accepted or approved revenue requirement associated with a Base Plan Upgrade, in accordance with Attachment J to this Tariff, to the Base Plan Region-wide Annual Transmission Revenue Requirement in Table 2 above



and to the appropriate Base Plan Zonal Annual Transmission Revenue Requirements in Column (4) or (5) as appropriate of Table 1 above.

7. The Base Plan Region-wide ATRR shall also include applicable upgrade costs arising from SPP seams agreements negotiated with a former Member that has withdrawn pursuant to the Membership Agreement. Such costs shall be set forth in a separate row in Table 2 above.

**ATTACHMENT L**  
**Treatment of Revenues**

**NEW SECTIONS**

**VII. Payments Arising Under Seams Agreements**

To the extent SPP has executed any seams agreements to address continuing Transmission Service over the transmission facilities of a former Transmission Owner that has terminated its membership in SPP, such former Transmission Owner shall be entitled to distribution of revenues to the extent specified in its seams agreement.

**VIII. Distribution of Revenues Associated With Network Service Termination Charges**

If SPP receives revenues associated with Network Service Termination Charges pursuant to [Schedule 13](#) of this Tariff, SPP shall distribute the revenues to the Transmission Owner(s) that have or will have an [ATRR](#) associated with the [transmission facilities](#) for which the Network Service Termination Charges were paid in proportion to their [ATRR](#) for such [transmission facilities](#).

**VI. Construction of Transmission Facilities**

- 1) The Transmission Provider shall not build or own transmission facilities. The Transmission Provider, with input from the Transmission Owners and other stakeholders, shall designate in a timely manner within the SPP Transmission Expansion Plan (“STEP”) one or more Transmission Owners to construct, own, and/or finance each project in the plan.
- 2) Any owner of Transmission Facilities, as defined in Attachment AI of this Tariff, which are or are capable of being used by the Transmission Provider to provide transmission service pursuant to Part II and Part III of this Tariff, shall have the right to sign the SPP Membership Agreement as a Transmission Owner and thereby acquire all of the rights and obligations of a Transmission Owner described therein, including all of the rights and obligations of a Transmission Owner described in this Tariff and specifically this Section VI. Each Transmission Owner and every other entity designated to construct a project by the Transmission Provider pursuant to this Section VI shall use due diligence to construct transmission facilities as directed by the SPP Board of Directors subject to such siting, permitting, and environmental constraints as may be imposed by state, local and federal laws and regulations, and subject to the receipt of any necessary federal or state regulatory approvals. Such construction shall be performed in accordance with Good Utility Practice, applicable SPP Criteria, industry standards, the applicable Transmission Owner’s specific reliability requirements and operating guidelines (to the extent these are not inconsistent with other requirements), and in accordance with all applicable requirements of federal or state regulatory authorities. Each Transmission Owner shall be fully compensated to the greatest extent permitted by the Commission for the costs of construction undertaken by such Transmission Owner in accordance with this Tariff.
- 3) A specific endorsed Sponsored Upgrade in the SPP Transmission Expansion Plan will be deemed approved for construction upon execution of a contract that financially commits a Project Sponsor to such upgrade.
- 4) After a new transmission project is (i) approved under the SPP Transmission Expansion Plan or (ii) required pursuant to a Service Agreement or (iii) required by a generation interconnection agreement to be constructed by a Transmission Owner(s) other than the Transmission Owner that is a party to the generation interconnection agreement, the Transmission Provider shall direct the appropriate Transmission Owner(s) to begin implementation of the project for which financial commitment is required prior to the approval of the next update of the SPP Transmission Expansion Plan. At the discretion of the SPP Board of Directors, the Transmission Provider may direct the appropriate Transmission Owner(s) to begin implementation of other such approved or required transmission projects for which financial commitment is not required prior to approval of the next SPP

Transmission Expansion Plan. The direction from the Transmission Provider shall be provided in writing to the Transmission Owner(s) designated to construct the project (“Designated Transmission Owner(s)”). The written notification to the Designated Transmission Owner(s) (“Notification to Construct”) shall include but not be limited to: (1) the specifications of the project required by the Transmission Provider; ~~and~~ (2) a reasonable project schedule, including a project completion date; ~~and~~ (3) a requirement that the Designated Transmission Owner execute the Membership Agreement as a Transmission Owner and undertake all obligations of a Transmission Owner under the SPP Membership Agreement and Tariff, if it has not already done so (~~“Notification to Construct”~~). If the project forms a connection with facilities of a single Transmission Owner, that Transmission Owner shall be designated to construct the project. If the project forms a connection with facilities owned by multiple Transmission Owners, the applicable Transmission Owners will be designated to provide their respective new facilities. If there is more than one Transmission Owner designated to construct a project, the Designated Transmission Owners will agree among themselves which part of the project will be provided by each entity. If the Designated Transmission Owners cannot come to a mutual agreement regarding the assignment and ownership of the project the Transmission Provider will facilitate their discussion. Each project or segment of a project being built by a single Designated Transmission Owner shall be considered a separate project for purposes of Section VI.6 and each Designated Transmission Owner will receive a separate Notification to Construct for each project or segment of a project they are responsible to construct.

- 5) Network Upgrade(s) and Distribution Upgrades (as defined in Attachment V to the Tariff) identified in a generation interconnection agreement will be constructed pursuant to the generation interconnection agreement or pursuant to Section VI.4 of this Attachment O. Network Upgrades and Distribution Upgrades (as defined in Attachment V to the Tariff) identified in a generation interconnection agreement required to be constructed by the Transmission Owner who is a party to the generation interconnection agreement shall be constructed pursuant to the generation interconnection agreement. All other Network Upgrades and Distribution Upgrades (as defined in Attachment V to the Tariff) identified in a generation interconnection agreement to be constructed by Transmission Owners not a party to the generation interconnection agreement shall be constructed pursuant to Section VI.4 of this Attachment O.
- 6) In order to maintain its right to construct the project, the Designated Transmission Owner shall respond within ninety (90) days after the receipt of the Notification to Construct with a written commitment to construct the project as specified in the Notification to Construct or a proposal for a different project schedule and/or alternative specifications in its written commitment to construct (“Designated Transmission Owner’s proposal”). The Transmission Provider shall respond to the Designated Transmission Owner’s proposal within ten (10) days of its receipt

of the proposal. If the Transmission Provider accepts the Designated Transmission Owner's proposal, the Notification to Construct will be modified according to the accepted proposal and the Designated Transmission Owner shall construct the project in accordance with the modified Notification to Construct. If the Transmission Provider rejects the Designated Transmission Owner's proposal, the Designated Transmission Owner's proposal shall not be deemed an acceptable written commitment to construct the project. However, the Transmission Provider's rejection of such proposal shall not preclude a Designated Transmission Owner from providing a written commitment to construct the project after such rejection, provided the subsequent written commitment to construct the project is made within the ninety day time period after the issuance of the Notification to Construct.

If a Designated Transmission Owner does not provide an acceptable written commitment to construct within the ninety (90) day period, the Transmission Provider shall solicit and evaluate proposals for the project from other entities and select a replacement designated provider. The Transmission Provider shall solicit proposals from entities that meet certain specified legal, regulatory, technical, financial and managerial qualifications, specifically including the following:

- i) Entities that have obtained all state regulatory authority necessary to construct, own and operate transmission facilities within the state(s) where the project is located,
- ii) Entities that meet the creditworthiness requirements of the Transmission Provider,
- iii) Entities that have signed or are capable and willing to sign the SPP Membership Agreement as a Transmission Owner upon the selection of its proposal to construct and own the project, and
- iv) Entities that meet such other technical, financial and managerial qualifications as are specified in the Transmission Provider's business practices.

The Transmission Provider shall evaluate each proposal with regard to the cost, reliability and timeliness of the proposed construction of the project and shall make a recommendation to the Board of Directors. The Board of Directors shall thereafter select an entity making a proposal and arrange for that entity to construct the project and become the Designated Transmission Owner. The Designated Transmission Owner, if it has not already done so, shall execute the Membership Agreement as a Transmission Owner and undertake all obligations of a Transmission Owner under the SPP Membership Agreement and Tariff.

At any time, a Designated Transmission Owner may elect to arrange for another entity or another existing Transmission Owner to build and own all or part of the project in its place (“Replacement Builder”) subject to the qualifications in Subsections i, ii, iii, and iv above. If the Transmission Provider agrees that the Replacement Builder is qualified to build and own the part(s) of the project that the Designated Transmission Owner elects to have built and owned by the Replacement Builder, then the Replacement Builder shall, if it has not already done so, execute the Membership Agreement as a Transmission Owner and undertake all obligations of a Transmission Owner under the SPP Membership Agreement and Tariff.

Nothing in this Section VI.6 shall relieve a Transmission Owner of its obligation to construct an upgrade as specified in Section VI.2 of this Attachment O and Section 3.3(a) of the SPP Membership Agreement in the event that no other qualified entity can be found to construct the project.

**ATTACHMENT AP**  
**ALLOCATION OF COSTS ASSOCIATED WITH RELIABILITY PENALTY**  
**ASSESSMENTS**

Under the NERC Functional Model and NERC Rules of Procedure, the Transmission Provider may be assessed penalties for confirmed violations of the NERC Reliability Standards. The purpose of this Attachment is to provide notice to all Market Participants, ~~and~~ Members, and Terminated Members (as defined in this Attachment AP) that they may potentially be responsible for penalty costs assessed against the Transmission Provider for confirmed violations of any NERC Reliability Standard. Market Participants, ~~and~~ Members, and Terminated Members may be either directly assigned such penalty costs, if it is determined that they are responsible for or have directly contributed to the confirmed violations at issue, or may be assigned a portion of the costs, if the Transmission Provider is assessed a monetary penalty either due to its own confirmed violation or its status, as a Registered Entity under the NERC Functional Model and NERC Rules of Procedure.

This Attachment also provides for the recovery of costs associated with penalties assessed against the Transmission Provider for confirmed violations of NERC Reliability Standards resulting from a confirmed violation of NERC Reliability Standards by a Market Participant(s), Member(s), Terminated Member(s), the Transmission Provider, or another entity for whom Transmission Provider is assessed a penalty due to its status as a Registered Entity under the NERC Functional Model and NERC Rules of Procedure. Under this Attachment, the Transmission Provider may seek recovery of the costs associated with any monetary penalty by filing under section 205 of the Federal Power Act for direct recovery of penalty costs from one or more Market Participants, ~~or~~ Members, or Terminated Members and/or for an allocation of penalty costs among all Market Participants, ~~and~~ Members, and Terminated Members. Additionally, this Attachment provides for the participation of Market Participants, Members, and Terminated Members in the penalty assessment process with the Transmission Provider if the Market Participant, Member, or Terminated Member is alleged to have been directly involved in the event causing the potential penalty.

## 1. Definitions

All defined terms in this Attachment shall have the meaning given to them in the Tariff unless otherwise stated below.

**Compliance Monitoring and Enforcement Program** – The program used by NERC and the Regional Entities to monitor, assess, and enforce compliance with Reliability Standards within the United States. This is accomplished through compliance monitoring and audits, as well as the conduct of investigations and the assessment of monetary and non-monetary penalties for violations.

**Electric Reliability Organization or ERO** – An organization certified by the Commission to develop and enforce mandatory reliability standards and assess penalties against users, owners and operators of the bulk power system that violate such standards.

**North American Electric Reliability Corporation (“NERC”)** – The organization designated as ERO by the Commission on July 20, 2006.

**NERC Compliance Registry** – The registry maintained by NERC that records which Registered Entity is responsible for performing the set of functions required to ensure compliance with each NERC Reliability Standard.

**NERC Functional Model** – The Model defining the set of functions that must be performed to ensure the reliability of the electric bulk power system. The NERC Reliability Standards establish the requirements of the responsible entities that perform the functions defined in the Functional Model.

**NERC Reliability Standards** – Standards developed by NERC and approved by the Commission to ensure reliability of the bulk power system, violation of which may result in the imposition of mitigation programs or monetary penalties.



**NERC Rules of Procedure** – The rules and procedures developed by NERC and approved by the Commission. These rules include the process by which a responsible entity, who is to perform a set of functions to ensure the reliability of the electric bulk power system, must register as a Registered Entity.

**Registered Entity** – The entity registered under the NERC Functional Model and NERC Rules of Procedures for the purpose of compliance with NERC Reliability Standards and responsible for carrying out the tasks within a NERC function without regard to whether a task(s) is performed by another entity pursuant to the terms of its governing documents.

**Regional Entity (RE)**– NERC has designated the Transmission Provider as “Regional Entity” in the SPP region and has delegated ERO functions to Transmission Provider in the region.

**Terminated Member** – An entity that was a Member of SPP at the time that the conduct giving rise to a reliability penalty occurred, but that has since terminated its SPP Membership.

## **2. Direct Assignment of Costs Where Violation Can Be Directly Assigned**

The purpose of this section of this Attachment is to provide notice to all Market Participants, ~~and~~ Members, and Terminated Members that they may potentially be responsible for reliability penalty costs assessed in the event that the Market Participant's, ~~or~~ Member's, or Terminated Member's conduct or omission contributed to the violation(s) for which a monetary penalty was assessed to the Transmission Provider. This section provides for notification for the potential direct assignment of costs related to reliability violations that may be assessed to the Transmission Provider. The Transmission Provider shall notify, in writing, any potentially affected Member(s), ~~or~~ Market Participant(s), or Terminated Members of an alleged violation as soon as possible after notifications by the RE or NERC of the commencement of procedures under the Compliance Monitoring and Enforcement Program. In addition, the Transmission Provider will invite the affected Member(s), ~~or~~ Market Participant(s), or Terminated Member(s)

to fully participate in all discussions and/or proceedings under the Compliance Monitoring and Enforcement Program.

If there is i) an assessment of a monetary penalty against the Transmission Provider as the Registered Entity for a confirmed violation of a NERC Reliability Standard(s) and ii) as a result of proceedings under the Compliance Monitoring and Enforcement Program, it is determined that one or more Market Participants, Members, Terminated Members, or Registered Entities are deemed to have directly contributed to or found to have been a “root cause(s)” of such confirmed violation(s), such Market Participant(s), ~~Member(s)~~, or Terminated Member(s) may be assessed a portion of or all of the monetary penalty; provided that all of the following conditions have been satisfied:

(1) During the course of an investigation by NERC, the RE or the Commission regarding the possibility of a Transmission Provider alleged violation of a NERC Reliability Standard, if the Transmission Provider believes that a Market Participant(s), ~~Member(s)~~, or Terminated Member(s) may have contributed to the violation under investigation, the Transmission Provider will provide a) reasonable prior written notice to the Market Participant(s), ~~Member(s)~~, or Terminated Member(s) that the Transmission Provider believes may have contributed to the violation and that it intends to seek to hold the Market Participant(s), ~~Member(s)~~, or Terminated Member(s) responsible for a portion of or all of the monetary penalties that result; and b) the Market Participant(s), ~~Member(s)~~, or Terminated Member(s) is provided the opportunity to fully participate in all discussions and/or proceedings under the Compliance Monitoring and Enforcement Program.

(2) In addition to the Transmission Provider providing sufficient notice to a Market Participant(s), ~~Member(s)~~, or Terminated Member(s) under Section 2(1) of this Attachment, it will also provide notice to NERC, the RE and the Commission of its allegations that the Market Participant(s), ~~Member(s)~~, or Terminated Member(s) may have contributed to the alleged violation and that the Transmission Provider intends to

hold the Market Participant(s), ~~or~~ Member(s), or Terminated Member(s) responsible for a portion of or all of the monetary penalties that result from the investigation which determines to what extent the Market Participant(s), ~~or~~ Member(s), or Terminated Member(s) contributed to or was a “root cause(s)” of the confirmed violation; (3) If, as a result of proceedings under the Compliance Monitoring and Enforcement Program, it is determined that the Market Participant(s), ~~or~~ Member(s), or Terminated Member(s) cited by the Transmission Provider contributed to or was a “root cause(s)” of the alleged violation, the Transmission Provider will seek to hold the Market Participant(s), ~~or~~ Member(s), or Terminated Member(s) responsible for a portion of or all of the monetary penalty assessed as a result of the confirmed violation by making a filing with the Commission under section 205 of the Federal Power Act to assign a portion of or all of the costs of the monetary penalty directly to the Market Participant(s), ~~or~~ Member(s), or Terminated Member(s);

(4) If the Commission accepts the filing, the Market Participant(s), ~~or~~ Member(s), or Terminated Member(s) shall be responsible for its portion of the monetary penalty as determined by the Commission’s order on the section 205 filing.

### 3. Spreading of Costs Where Violation Cannot Be Directly Assigned

The purpose of this section of this Attachment is to provide notice to all Market Participants, ~~and~~ Members, and Terminated Members that they may potentially be responsible for reliability penalty costs assessed to the Transmission Provider that cannot be directly assigned under Section 2 of this Attachment. This section provides for a spreading of a portion of or all of such reliability penalty costs among all Market Participants, ~~and~~ Members, and Terminated Members where the Transmission Provider itself is responsible for a confirmed violation of a Reliability Standard or where the Transmission Provider is assessed a penalty because of its status as a Registered Entity for a given Reliability Standard and the entity responsible for the violation cannot be assessed a penalty because of its status. The Transmission Provider shall notify, in writing, any potentially affected Market Participant(s), ~~or~~

Member(s), or Terminated Member(s) of an alleged or confirmed violation as soon as possible after notifications by the RE or NERC of the commencement of procedures under the Compliance Monitoring and Enforcement Program. In addition, the Transmission Provider will i) invite the affected Member(s), ~~or~~ Market Participant(s), or Terminated Member(s) to fully participate in all discussions and/or proceedings under the Compliance Monitoring and Enforcement Program and ii) timely report status and results of the findings and remedies to the Market Participants, Members, and Terminated Members.

If there is an assessment of a monetary penalty against the Transmission Provider as the Registered Entity for a confirmed violation of a NERC Reliability Standard(s), either: (1) as a result of the Transmission Provider's own conduct or omission that resulted in a confirmed violation; or (2) as a result of a violation by another entity for whom the Transmission Provider is the Registered Entity where the entity is not on the NERC Compliance Registry and therefore cannot be directly assessed a penalty because of its status; Market Participants, ~~and~~ Members, and Terminated Members may be assessed a portion of the monetary penalty providing the following conditions have been satisfied:

(1) The Transmission Provider has made a filing under section 205 of the Federal Power Act proposing a methodology to allocate a portion of or all of the costs of the monetary penalty among the Market Participants, ~~and~~ Members, and Terminated Members;

(2) If the Commission accepts the filing and finalizes such penalty allocations to the Market Participants, ~~and~~ Members, and Terminated Members.



Southwest Power Pool, Inc.

**STRATEGIC PLANNING COMMITTEE TASK FORCE ON ORDER 1000**

**Recommendation to the Corporate Governance Committee**

**April 30, 2012**

**Order 1000 Compliance Filing Recommendation**

**Revisions to the SPP Membership Agreement**

**Organizational Roster**

The following persons are members of the Strategic Planning Committee Task Force on Order 1000 ("SPCTF"):

Mel Perkins, OGE (Chair)  
Ricky Bittle, AECC  
Mitch Elmore, Xcel Energy  
Todd Fridley, KCPL  
Terri Gallup, AEP

Paul Malone, NPPD  
Dennis Reed, Westar  
Brian Thumm, ITC  
Noman William, Sunflower

**Background**

On July 21, 2011, the Federal Energy Regulatory Commission ("FERC") issued Order 1000, *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order 1000, 111 FERC Stats. & Regs., Regs. Preambles ¶ 31,323 (2011). In response to Order 1000, the SPP Board of Directors tasked SPP's Strategic Planning Committee ("SPC") with leading SPP's response to the regional policy requirements contained in Order 1000. The SPC formed the SPCTF, tasked with determining whether SPP's current transmission planning and cost allocation provisions comply with the requirements and whether additional revisions will be necessary. The SPCTF presented a report of policy recommendations to the SPC on April 9, 2012, and the SPC presented the same policy recommendations to the SPP Board of Directors on April 24, 2012. The SPP Board of Directors approved the SPCTF report and recommendations.

Among the SPCTF recommendations approved by the SPP Board of Directors is a recommendation that the SPCTF examine the SPP Membership Agreement and provide suggested revisions to comply with Order 1000 to the CGC by April 30, 2012. See SPC Task Force on Order 1000, Final Report § 4.1 (dated Apr. 3, 2012) ("SPCTF Report"), available at <http://www.spp.org/publications/SPC040912.pdf>.

**Analysis**

Order 1000 requires public utility transmission providers to, among other things, eliminate from their FERC-jurisdictional tariffs and agreements any provisions "that establish a federal right of first refusal ("ROFR") for an incumbent transmission provider with respect to transmission facilities selected in a regional transmission plan for purposes of cost allocation." See Order 1000 at P 313. The current SPP Membership Agreement contains a federal ROFR for incumbent transmission owners that SPP must address.

Section 3.3(b) of the Membership Agreement, which governs construction obligations, currently states (emphasis added):

If the project forms a connection between the facilities of a single Transmission Owner, **that Transmission Owner will be designated** to provide the new facilities. If the project forms a connection between facilities owned by multiple parties, **all parties will be designated** to provide the respective new facilities. The parties will agree among



themselves as to how much of the project will be provided by each entity. If agreement cannot be reached, SPP will facilitate the ownership determination process.

Furthermore, Section 3.3(c) of the Membership Agreement states (emphasis added):

A designated provider for a project **can elect to arrange** for a new entity or another Transmission Owner to build and/or own the project in its place. If the designated provider(s) **does not or cannot agree to implement the project** in a timely manner, SPP will solicit and evaluate proposals for the project from other entities and select a replacement.

Together, Sections 3.3(b) and 3.3(c) create a federal ROFR. Section 3.3(b) obligates SPP to assign the responsibility to construct new transmission facilities selected in the SPP transmission planning process to incumbent Transmission Owners, and Section 3.3(c) provides the designated Transmission Owner(s) with the option either to construct the project, assign the project to another entity, or decline to construct the project.

In reviewing parallel language in Attachment O of the SPP Tariff, FERC determined that the language of Attachment O establishes a federal ROFR for incumbent transmission owners in SPP. See *Sw. Power Pool, Inc.*, 127 FERC ¶ 61,171, at PP 42-43 (2009). SPP also acknowledged that its governing documents contain a federal ROFR in its comments in the rulemaking proceeding that culminated in Order 1000. See Comments of Southwest Power Pool, Inc., Docket No. RM10-23-000, at 15 (Sept. 29, 2010).

### **Recommendation**

The SPCTF recommends that the CGC approve the revisions to the SPP Membership Agreement set forth in this report below and recommend them to the SPP Board of Directors for approval at the July 31, 2012 Board of Directors and Members Committee meeting. See SPCTF Report at 19-20, 28-29.

The SPCTF's recommendations below seek to minimize changes to existing Membership Agreement language to the extent possible while complying with the Order 1000 requirement to eliminate federal ROFR.

Membership Agreement § 3.3(b): As currently drafted, Section 3.3(b) requires SPP to assign the responsibility for construction and ownership of all new transmission facilities to incumbent SPP Transmission Owners (i.e., the Transmission Owner(s) that own the existing transmission facilities to which a new transmission facility will interconnect). Therefore, SPP must modify Section 3.3(b) to remove language suggesting that SPP will assign all transmission facilities to incumbent Transmission Owners.

Rather than expand Section 3.3(b) to encompass the various processes SPP will use to assign construction and ownership responsibilities based on whether or not the facility is subject to the requirement to eliminate federal ROFR, the SPCTF recommends modifying Section 3.3(b) to remove the specific language governing how SPP will designate Transmission Owners for each project, and instead include a reference in the Membership Agreement to Attachment O of the SPP Tariff, where the Transmission Owner Selection Process and processes for designating Transmission Owners for transmission projects that retain ROFR rights will be delineated in detail.

3.3(b) After a new transmission project has received the required approvals and been approved by SPP, SPP will direct the appropriate Transmission Owner(s) to begin implementation of the project in accordance with Attachment O of the OATT. ~~If the project forms a connection between facilities of a single Transmission Owner, that Transmission Owner will be designated to provide the new facilities. If the project forms a connection between facilities owned by~~



~~multiple parties, all parties will be designated to provide their respective new facilities. The parties will agree among themselves as to how much of the project will be provided by each entity. If agreement cannot be reached, SPP will facilitate the ownership determination process.~~

Membership Agreement § 3.3(c): Because Section 3.3(c) contemplates that a designated Transmission Owner can “refuse” to construct a transmission project (i.e., the Transmission Owner “does not or cannot agree to implement the project”) and because Section 3.3(c) is redundant of existing language in the SPP Tariff, the SPCTF recommends deleting Section 3.3(c) in its entirety. Moreover, the language in Section 3.3(c) indicating that SPP will solicit and evaluate proposals from other entities if the designated provider does not implement the project in a timely manner will be superseded by SPP’s proposal to comply with the Order 1000 requirement to establish a regional transmission plan re-evaluation process. See Order 1000 at PP 263, 328-329 (establishing transmission plan re-evaluation requirement).

~~3.3(c) — A designated provider for a project can elect to arrange for a new entity or another Transmission Owner to build and/or own the project in its place. If a designated provider(s) does not or cannot agree to implement the project in a timely manner, SPP will solicit and evaluate proposals for the project from other entities and select a replacement.~~

Together, these revisions remove federal ROFR from the Membership Agreement and eliminate language from the Membership Agreement that is redundant of Tariff language, while limiting modification of the Membership Agreement to the extent possible.

**Approved:** Strategic Planning Committee Task Force on April 25, 2012  
Order 1000

Motion Passed with **1** opposed **(ITC)**

**Rationale of Opposed Task Force members**

**Action Requested:** Approve SPCTF recommended revisions to the SPP Membership Agreement to comply with the Order 1000 requirement to remove from all FERC-jurisdictional tariffs and agreements any provisions that establish a federal ROFR for an incumbent transmission provider with respect to transmission facilities selected in a regional transmission plan for purposes of cost allocation.

## Working Group Chair and Staff Secretary Effectiveness Workshop

November 27 - 28, 2012

SPP Corporate Center

Little Rock, AR

### Attendees

- Working Group, Task Force, and Committee Chairs
- Staff Secretaries and, if applicable, their “Second in Command”

### Day 1

11:15 a.m. – Noon

- **Corporate Center Tour** (optional)

Noon – 1 p.m.

- **Box lunch available**

1 – 5 p.m.

- **Session 1 Focus: Mechanics and performance check**
  - *Approach:* Presentations; large- and small-group discussion
  - *Primary Topic:*
    - By-laws and governance review
  - *Secondary Topic*
    - 2012 Organizational Group Survey Results
- **Session 2 Focus: Group and interpersonal skills**
  - *Approach:* Mix of lecture and group exercises; leverage Keirseay information
  - *Primary Topic*
    - Building consensus
  - *Secondary Topics*
    - Resolving conflict
    - Managing group dynamics
    - Solving problems

6 – 8 p.m.

- **Dinner (optional)**

### Day 2

8:30 a.m. – 2 p.m.

- **Session 3 Focus: Meeting management**
  - *Approach:* Mix of lecture and group exercises
  - *Primary Topic*
    - Collaborating across Working Groups
  - *Secondary Topics*
    - Managing virtual meetings
    - Facilitating for outcomes
- **Session 4 Focus: 2013 improvement plans**
  - *Approach:* Mix of lecture and group exercises; leverage survey information
  - *Primary Topic:*
    - Building an action plan for 2013