



Southwest Power Pool, Inc.
CORPORATE GOVERNANCE COMMITTEE MEETING
August 29, 2013
Kansas City Airport Marriott, Kansas City, Missouri

• A G E N D A •

10:00 a.m. – 4:00 p.m. CDT

- 1. Call to Order and Administrative Items..... Nick Brown
- 2. Annual Elections Nick Brown
 - a. Ballot
 - b. Qualifications
 - c. Affiliate Voting
- 3. Vacancies Nick Brown
- 4. Organizational Effectiveness
 - a. Board Committee Scopes
 - b. Annual Assessment and Survey Schedules
- 5. Membership Nick Brown/Stacy Duckett
 - a. Services and Obligations
 - b. Annual Fee
 - c. Withdrawal Obligation
- 6. Cost Allocation for New Members Stacy Duckett
- 7. Trans Elect Status Nick Brown
- 8. Board Role in Tariff Filing Nick Brown
- 9. Standards of Conduct Stacy Duckett
- 10. Recovery of FERC Penalty Stacy Duckett
- 11. Future Meetings Nick Brown
 - 2014
 - February 27
 - August 28
 - November 19

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

Southwest Power Pool
CORPORATE GOVERNANCE COMMITTEE MEETING
DFW Hyatt Regency, Dallas, TX

March 19, 2013

• M I N U T E S •

Agenda Item 1 – Administrative Items

Nick Brown called the meeting to order at 10:00 a.m. Other members in attendance or represented by proxy were: Rob Janssen (Dogwood), Cindy Holman (OMPA), Jim Eckelberger (Director), Mel Perkins (OG&E), Ricky Bittle (AECC), and John McClure (NPPD). SPP Staff included Stacy Duckett, Mike Riley, Matt Harward, Paul Suskie and Tom Dunn. Others attending were Bruce Cude, Bill Grant and Matthew Loftis (Xcel); Bary Warren (Empire); Jeff Knottek and Heather Starnes (City Utilities of Springfield); Joe Lang (LES); Tom Hesterman (Sunflower); Kip Fox (AEP); John Rhea (OG&E); Matt Binette (Wright & Talisman); Harold Hadland and Dave D'Alessandro (NPPD); Radu Costinescu (BPU); Bill Bussey, Mike Wilson and Jim Goss (Stephens); and Dennis Reed (Westar).

Nick Brown asked for a motion to approve minutes from the February 28, 2013 meeting (Minutes 2/28/13 – Attachment 1). Cindy Holman moved to approve the minutes as presented; John McClure seconded the motion, which passed unanimously. The group discussed some additional detail in the minutes on issues that are considered by the committee longer-term, without creating a transcript. The purpose is to assist the group in tracking the history of the issues as it progresses.

Agenda Item 2 – Indemnification Review

Nick Brown reviewed the history of indemnification issues and discussions to date. Paul Suskie reviewed actions to date (Indemnification Review – Attachment 2). A discussion followed on three action items generated at the February 18 meeting. The group discussed language drafted for the new Option 3 for contract language. Several questions were addressed. Mr. Suskie then reviewed the question posed by American Electric Power (AEP) regarding cost allocation of any indemnification claim, providing two options. Staff currently recommends making a decision on this matter if and when it arises. The group discussed the options. Mr. Suskie then addressed questions posed regarding availability of insurance coverage. Bill Bussey from Stephens discussed work done to seek insurance coverage under each option, clarifying that coverage is only available for a gross negligence standard if SPP indemnifies other parties (Memo – Attachment 3). Nick Brown requested that Stephens clarify whether individual utilities are able to obtain coverage for simple negligence. The group discussed various details at length. Mr. Brown referred back to the three action items. The committee does recommend insurance coverage be expanded to include SPP's performance of the Balancing Authority (BA) function; this will be referred to the Finance Committee. The group agreed with Staff's recommendation to address cost allocation if/when it arises; all options are to be considered, not limited to load-based approach. The committee then considered Options 1, 2, and 3 for addressing indemnification for the BA function. Mel Perkins moved the adoption of Option 3; Cindy Holman seconded. Discussion followed. The vote was unanimous to approve Option 3 as policy direction with Consolidated Balancing Authority (CBA) language to be finalized and circulated to the CGC via email for final consideration. A report will be made to the CBA Steering Committee and a presentation made at the Markets and Operations Policy Committee (MOPC) to solicit any feedback; all will be presented to the Board of Directors at the April meeting. Rob Janssen recommended related revisions to the Bylaws adding new Sections 3.15.5 and 3.15.6; Cindy Holman seconded the motion. The motion passed unanimously. Stacy Duckett will notify the Membership that the Bylaws revisions are up for consideration at the April meeting. Kip Fox requested that the CBA Steering Committee be copied on final language proposed for the agreement. Option 3 most closely resembles the intent of the existing process.

Agenda Item 3 – Withdrawal Obligations

Stacy Duckett and Mel Perkins discussed history of processes and decisions to date (Withdrawal Obligations – Attachment 4). Matt Binette reviewed changes since the last meeting. The group discussed revisions in detail. Regarding removal for planning, the language will be revised to account for notice rather than absolute removal, in Section 4.2.1 (a). In Section 4.3.3, the language will be revised to clarify that obligations continue only for those facilities for which a Notice to Construct (NTC) has been issued. In Section 4.2.1 (d), the language will be revised to accommodate removal of facilities and/or load. In Section 4.3.3A, the language will be revised to further clarify the intent of the provision. The same revisions will be duplicated in Section 8.7.3 of the Bylaws. The penalty revisions in the Tariff (Att. AP) will be forwarded to the Regional Tariff Working Group (RTWG) via a TRR. Rob Janssen recommended approval of the Bylaws and Membership Agreement revisions, as modified at the meeting, and Tariff changes as proposed; Cindy Holman seconded. The motion passed unanimously. The Membership will receive notice of the pending revisions for consideration at the April meeting.

Agenda Item 4 – Project Cost Working Group Charter

Stacy Duckett noted revisions previously approved by the CGC in the Project Cost Working Group (PCWG) charter and sent to the PCWG for review (PCWG Charter – Attachment 5). The PCWG accepted most changes, but requested additional ones as noted in the background materials. To ensure clarity, CGC recommends adding a statement that any party participating in Executive Session must execute a Non-Disclosure Agreement (NDA). Cindy Holman recommended approval as revised; Rob Janssen seconded. The motion passed unanimously.

Agenda Item 5 – Future Meetings

Nick Brown noted the next meeting is scheduled for August 29, 2013. It will be planned as a teleconference given the current agenda items.

Adjournment

Nick Brown thanked everyone for participating and adjourned the meeting at 1:56 p.m.

Respectfully submitted,

Stacy Duckett, Secretary

SPP BOARD OF DIRECTORS

| | TERM EXPIRES |
|-------------------|---------------------|
| Larry Altenbaumer | 2014 |
| Phyllis Bernard | 2013 |
| Julian Brix | 2013 |
| Nick Brown | N/A |
| Jim Eckelberger | 2015 |
| Josh Martin | 2014 |
| Harry Skilton | 2015 |

Class of 2013

Phyllis Bernard
Julian Brix

Class of 2014

Josh Martin
Larry Altenbaumer

Class of 2015

Jim Eckelberger
Harry Skilton

REGIONAL ENTITY TRUSTEES

| | TERM EXPIRES |
|-----------------|---------------------|
| Gerry Burrows | 2014 |
| Dave Christiano | 2015 |
| John Meyer | 2013 |

Class of 2013
John Meyer

Class of 2014
Gerry Burrows

Class of 2012
Dave Christiano

SPP MEMBERS COMMITTEE

| SECTOR | | COMPANY | TERM EXPIRES |
|---------------------------------------|-----------------|----------------------------------|--------------|
| Investor Owned Utilities | Kelly Harrison | Westar | 2013 |
| | Phil Crissup | OG+E | 2014 |
| | Mike Deggendorf | KCPL | 2015 |
| | Stuart Solomon | AEP | 2013 |
| Cooperatives | Ricky Bittle | AECC | 2014 |
| | Gary Roulet | WFEC | 2015 |
| | Noman Williams | Sunflower | 2013 |
| | Mike Wise | GSEC | 2015 |
| Municipals | Jeff Knottek | City Utilities of Springfield | 2013 |
| | vacant | | 2014 |
| IPPs/Marketers | Kevin Smith | Tenaska | 2015 |
| | Rob Janssen | Dogwood | 2013 |
| | Brett Kruse | Calpine | 2014 |
| State/Federal Agencies | Tom Kent | NPPD | 2015 |
| | Mo Doghman | OPPD | 2014 |
| Large Retail Customer | vacant | | 2014 |
| Small Retail Customer | vacant | | 2013 |
| Public Interest/ Alternative Power | vacant | | 2014 |
| | vacant | | 2015 |

Class of 2013

Kelly Harrison
Stuart Solomon
Noman Williams
Jeff Knottek
Rob Janssen
Sm. Retail (vacant)

Class of 2014

Phil Crissup
Ricky Bittle
Municipals (vacant)
Mo Doghman
Brett Kruse
Lg. Retail (vacant)
Publ Int/Alt Pwr (vacant)

Class of 2015

Mike Deggendorf
Gary Roulet
Mike Wise
Kevin Smith
Tom Kent
Publ Int/Alt Pwr (vacant)

7/2013 - MEMBERSHIP REPRESENTATION ON SPP COMMITTEES

| Member Company | MC | CGC | FC | HRC | SPC |
|-------------------------------|----|-----|----|-----|-----|
| AECC | 1 | 1 | | 1 | 1 |
| AEP/PSO/SWEPCO | 1 | | 1 | | |
| Calpine | 1 | | | 1 | |
| City Utilities of Springfield | 1 | | | | |
| Dogwood | 1 | 1 | | | 1 |
| Empire | | | | 1 | 1 |
| Golden Spread | 1 | | 1 | | 1 |
| KCPL | 1 | | | | |
| KEPCo | | | 1 | | 1 |
| LES | | 1 | | | |
| NPPD | 1 | 1 | | | |
| OG&E | 1 | 1 | | | 1 |
| OPPD | 1 | | | | 1 |
| Sunflower | 1 | | | 1 | |
| Tenaska | 1 | | | | |
| Westar | 1 | | 1 | | |
| WFEC | 1 | | | | |
| Xcel Energy | | | | | 1 |



Southwest Power Pool, Inc.
CORPORATE GOVERNANCE COMMITTEE
August 29, 2013

Board Committee Scopes

Background

At the Corporate Governance Committee's recommendation, the Board of Directors approved revising the SPP Bylaws to remove the detailed activities for each, capturing those in each committee's respective Scope document. That filing has been made and is pending at FERC.

Analysis

Assuming the filing is approved, SPP's Bylaws will be revised as of the effective date. In anticipation, staff has reviewed the existing responsibilities in the Bylaws, as well as various Scope documents. Updated Scope documents are provided for consideration, reflecting the duties assigned, current practice, and consistency in formatting.

This review resulted in three areas for discussion:

- 1) Oversee and receive reports on Business Continuity Plans and assessments
This responsibility was in the Finance Committee Scope. The Finance Committee has recommended reassignment to the Oversight Committee because there are no member representatives on that committee. No final determination was made as to its assignment.
- 2) Discuss with management and the independent auditors the corporation's guidelines and policies with respect to risk assessment and risk management
This responsibility is currently in the Finance Committee Scope. The Finance Committee has recommended reassignment to the Oversight Committee because there are no member representatives on that committee.
- 3) Responsibility for determining Corporate Authorities
SPP has policies regarding approval authorities, signature authorities, etc. Executive management considers changes to these policies as needed to conduct the business of the organization. The Finance Committee has asked the Corporate Governance Committee to discuss the appropriate management of this responsibility.

Action Requested: Discussion of pending issues noted.

Southwest Power Pool, Inc.
CORPORATE GOVERNANCE COMMITTEE
Organizational Group Scope Statement
_____, 2013

Purpose

The Corporate Governance Committee is responsible for the overall governance structure, including nominations, for the company in accordance with its scope as approved by the Board of Directors.

Scope of Activities

- a) Seek input from the Board of Directors, the Members Committee, or the Trustees as to the skills needed to fill any vacancy under consideration;
- b) In the event of a vacancy or the replacement of an existing director, provide candidates indentified by an independent executive search firm for consideration to the Members for election to the Board of Directors;
- c) In the event of a vacancy or the replacement of an existing Trustee, provide candidates for consideration to the Members for election to the Regional Entity Trustees;
- d) In the event of a vacancy or the replacement of an existing Members Committee representative, provide candidates for consideration to the Membership for election to the Members Committee;
- e) Fill vacancies for Organizational Groups in accordance with this Bylaws,
- f) Monitor the composition of the Board of Directors to ensure balance, independence, maintenance of qualifications under any applicable laws, avoidance of conflict of interest, and periodic review of the criteria for independence set out in the Bylaws and appropriate regulatory bodies, recommending changes, as appropriate;
- g) Recommend to the Board of Directors the appointment of Organizational Group representatives and leadership except for the Corporate Governance Committee, whose representatives are elected by members in each category; the Members Committee, whose representatives are elected by the Membership, and the Market and Operations Policy Committee, whose representatives are appointed by the Members;

- h) Develop criteria governing the overall composition of the Board of Directors for recommendation to the Membership;
- i) Develop criteria governing the overall composition of the Regional Entity Trustees for recommendation to the Membership;
- j) Coordinate an annual review and assessment of the effectiveness of the Board of Directors, its structure, and process;
- k) Coordinate an annual review and assessment of the effectiveness of the Regional Entity Trustees, its structure, and process;
- l) Review annually the structure of the Organizational Groups, and together with the Organizational Group Chairs, the charters of each Organizational Group, and recommend changes to the Board of Directors, as appropriate;
- m) Review the self-assessments of the Organizational Groups to assure that they are being done on a consistent basis;
- n) Develop recommendations for the Board of Directors regarding a Chair/Vice Chair succession policy;
- o) Recommend compensation levels for the Board of Directors and Regional Entity Trustees to the Membership;
- p) Complete a self-assessment annually to determine how effectively the CGC is meeting its responsibilities; and
- q) Perform such other functions as the Board of Directors may delegate or direct.

Representation

To the extent that the membership allows, the CGC shall be comprised of nine members. One representative shall be the President of SPP who will serve as the Chair; one representative shall be the Chairman of the Board, unless his/her position is under consideration, in which case the Vice Chairman of the Board; one representative shall be representative of and selected by investor owned utilities Members; one representative shall be representative of and selected by co-operatives Members; one representative shall be representative of and selected by municipals Members; one representative shall be representative of and selected by independent power producers/marketers Members; one representative shall be representative of and selected by state/federal power agencies Members; one representative shall be



representative of and selected by alternative power/public interest Members; and one representative shall be representative of and selected by large/small retail Members.

Reporting

The Corporate Governance Committee reports directly to the Board of Directors.

Southwest Power Pool, Inc.
FINANCE COMMITTEE
Organizational Group Scope Statement
_____, 2013

Purpose

The Finance Committee (FC) is responsible for all aspects of financial operations and risk management for the company in accordance with its scope as approved by the Board of Directors.

Scope of Activities

- a) Develop policies for management of the company's capitalization, financing and long-term contracts;
- b) Review and approve annually significant financial and compliance policies that fall under the purview of the Committee;
- c) Monitor the methodology of cost recovery to ensure continuing equity for Members;
- d) Oversee development of the annual operating budget and recommend a budget and rate for Board approval;
- e) The Committee shall annually recommend for Board of Directors approval engagement of independent auditors;
- f) Review and discuss with management and the independent auditors, prior to the public dissemination, the corporation's annual audited financial statements with primary focus on the quality and integrity of the statements;
- g) 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;
- h) 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;

- i) Review annually, the Investment Policy Statements for the Company's retirement plan, post-retirement healthcare plan, and other similar plans, to ensure the Investment Policy Statements continue to be appropriate for the goals of the plans;
- j) Engage and monitor the performance of Investment Managers who have discretionary investment powers for the Company's defined benefit retirement and post-retirement healthcare plans;
- k) Review reports of the actuaries and provide input to the assumptions used to develop the actuarial reports;
- l) Review as necessary, with the corporation's counsel, any legal matter that could have a significant impact on the corporation's financial statements;
- m) Retain consultants and other experts, as necessary, to advise and guide the Committee in fulfilling its duties, including the authority to approve the fees payable to such advisors and any other terms of retention;
- n) 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.
- o) Report its activities at the next meeting of the SPP Board of Directors following a meeting of the Committee.
- p) Perform an annual assessment of the effectiveness of the Finance Committee and report to the Board of Directors the results and any recommendations for change.
- q) Performs such other functions as the Board of Directors may delegate or direct.

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 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.

Reporting

The Finance Committee reports directly to the Board of Directors.

Southwest Power Pool, Inc.
HUMAN RESOURCES COMMITTEE
Organizational Group Scope Statement
_____, 2013

Purpose

The Human Resources Committee (HRC) is responsible for the development of personnel policies, including benefits structures, for the company in accordance with its scope as approved by the Board of Directors.

Scope of Activities

- a) Review and monitor organizational structure, succession, and personal plans, ensuring continuous alignment with the SPP Strategic Plan.
- b) Approve overall compensation policies and funding and review administration of those policies.
- c) 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 administer employee benefit plan trusts and define the rights, powers and responsibilities of trustees. Provide oversight of the design and investment strategy of the defined contribution employee benefit plan.
- d) Review annually the slate and structure of SPP's retirement plans ensuring compliance with applicable laws, ensure benefits are consistent with SPP's strategic values.
- e) Review annually the Investment Policy Statements for the Company's defined contribution employee benefit plan, and supplemental defined contribution plans to ensure the Investment Policy Statements continue to be appropriate for the goals of the plans.
- f) Engage Investment Managers for the Company's defined contribution employee benefit plan, and supplemental defined contribution plans .
- g) Oversee SPP programs designated to maintain ethical standards and facilitate open door procedures to report violations. Ensure documentation of standards

and procedures, proper functioning of programs and provisions of ongoing training to all SPP employees.

- h) Review and approve SPP's employee and executive performance evaluation processes.
- i) 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 the performance against the stated critical job functions and goals. Recommend compensation and benefit adjustments for the SPP President.
- j) Retain consultants and other experts, as necessary, to advise and guide the Committee in fulfilling its duties and achieving the desired workplace environment.
- k) Report its activities at the next meeting of the SPP Board of Directors following a meeting of the Committee.
- l) 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.
- m) Perform such other duties as the Board of Directors may delegate or direct.

Representation

The HRC 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.

Reporting

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

Southwest Power Pool, Inc.
MARKETS AND OPERATIONS POLICY COMMITTEE
Organizational Group Scope Statement
_____, 2013

Purpose

The Markets and Operations Policy Committee is responsible, through its designated Organizational Groups, for developing and recommending policies and procedures related to the technical operations for the company in accordance with its scope as approved by the Board of Directors.

Scope of Activities

- a) Recommend practices for system design, planning, adequacy, regional transmission service tariff, interconnections, operation, reliability, market designs and efficiency, and market power mitigation that will help to assure efficient and reliable power supply among the systems in SPP and SPP transmission customers;
- b) Coordinate and review with ERO Policies and Standards and their applicability to SPP, its Members, and Registered Entities in the SPP footprint;
- c) Present any Regional Reliability Standards for ERO adoption in accordance with SPP's Standards Development Process.
- d) Coordinate and oversee the work of any Standards Development Team(s).
- e) Report to the Trustees on all standards recommended by working groups reporting to the MOPC.
- f) Make appropriate recommendations to the Board of Directors and Regional Entity Trustees regarding SPP's compliance with ERO Policies and Standards;
- g) Review Member operating plans and problems that are pertinent to SPP planning and operation;
- h) Maintain an annual series of load flow and short circuit models and associated stability data bases representing the current and planned electric network of the region, and maintain a data base of all transmission, generation, and supporting facilities within SPP;

- i) Review and assess the current and planned electric system of the region;
- j) Make use of studies available from other regions;
- k) Recommend to the Board of Directors criteria for planning, operations, and to assist in the efficiency and vitality of the wholesale electricity market;
- l) Coordinate inter-regional and intra-regional plans to facilitate planning, information exchange, and operations between inter-regional and intra-regional groups;
- m) Develop a coordinated plan for intra-regional transmission for greater efficiency and reliability of electric power supply;
- n) Recommend to the Board of Directors and Members individual or joint action to improve the operation of the systems comprising SPP;
- o) Respond to activities as requested by the Strategic Planning Committee and the Board of Directors;
- p) Monitor the current state and evolution of the electric energy supply industry and proactively recommend commercial practices that meet industry needs and promote commerce;
- q) Work with all SPP Organizational Groups to promote high standard of operational reliability;
- r) Continue coordination of its efforts with the efforts of North American Energy Standards Board (NAESB) and the ISO/RTO Council (IRC) including periodic review of NAESB business practices and IRC policies and their applicability to SPP and its Members;
- s) Complete a self-assessment annually to determine how effectively the MOPC is meeting its responsibilities; and
- t) Perform such other functions as the Board of Directors may delegate or direct.



Representation

Each SPP Member shall appoint a representative to the Market and Operations Policy Committee (MOPC). Each representative designated shall be an officer or employee of the Member. The Board of Directors will appoint the Chair and Vice Chair of the MOPC. Each member of the MOPC may continue to be a member thereof until the appropriate Member appoints a successor.

Reporting

The Markets and Operations Policy Committee reports directly to the Board of Directors.

Southwest Power Pool, Inc.
OVERSIGHT COMMITTEE
Organizational Group Scope Statement
_____, 2013

Purpose

The Oversight Committee (OC) is responsible for monitoring compliance with SPP and regulatory policies for the company in accordance with its scope as approved by the Board of Directors.

Scope of Activities

- 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) Oversee the Internal Audit function and receive regular reports, except for work associated with controls audits and other financial requirements;
- c) Oversee the Market Monitoring function and receive regular reports;
- d) Oversee the Compliance function and receive regular reports;
- e) Independently review activities of the Staff;
- f) 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;
- g) Recommend Criteria changes necessary for enforcement of mandatory compliance and in response to unclear enforcement provisions of Criteria;
- h) Grant specific additional authority to the Staff responsible for the compliance monitoring function when needed to perform challenging investigations;
- i) Complete a self-assessment annually to determine how effectively the OC is meeting its responsibilities; and
- j) Perform such other functions as the Board of Directors may delegate or direct.



Representation

The OC shall be comprised of three members from the Board of Directors.

Reporting

The Oversight Committee reports directly to the Board of Directors.

Southwest Power Pool, Inc.
STRATEGIC PLANNING COMMITTEE
Organizational Group Scope Statement
_____, 2013

Purpose

The Strategic Planning Committee (SPC) is responsible for the development and recommendation of strategic direction for the company in accordance with its scope as approved by the Board of Directors.

Scope of Activities

- a) Gather information from the SPP Members, customers, Staff, regulatory jurisdictions, market monitors, and legislative bodies on industry trends, forecasts and directions;
- b) Assess the industry environment in which SPP will be operating;
- c) Assess SPP's capabilities and competencies against the industry environment, including coordination with neighboring entities;
- d) Develop and recommend to the Board of Directors a mission and vision statement and accompanying goals and objectives;
- e) Formulate strategies to endure achievement of SPP's mission statement, goals, objectives, and responsibilities, and recommend necessary modifications to SPP processes to carry out these strategies;
- f) Work with other Organizational Groups in developing related action plans, schedules and budgets;
- g) Complete a self-assessment annually to determine how effectively the SPC is meeting its responsibilities; and
- h) Perform such other functions as the Board of Directors may delegate or direct.

Representation

The SPC shall be comprised of eleven members. Three representatives shall be from the Board of Directors; four representatives from the Transmission Owning Member sector as nominated by the Corporate Governance Committee; and four representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee.

Reporting

The Strategic Planning Committee reports directly to the Board of Directors.

Schedule for 2013 Annual Surveys

| Survey | Launch Date | End Date | Results available |
|---------------|--------------------|-----------------|--------------------------|
| Working Group | Oct. 10 | Oct. 23 | Nov. 6 |
| Stakeholder | Oct. 24 | Nov. 6 | Dec. 3 |
| BOD | Oct. 24 | Nov. 6 | Dec. 3 |
| Membership | Nov. 12 | Nov. 25 | Dec. 19 |

Southwest Power Pool, Inc.
CORPORATE GOVERNANCE COMMITTEE
Recommendation to the Board of Directors
October 29, 2013
Member Termination

Background

As of July 15, 2013, Trans-Elect Development Company, LLC ("Trans-Elect") has failed to remit payment of its annual membership assessments for 2011, 2012, and 2013, to the sum of \$18,000.

Trans-Elect executed the SPP Membership Agreement on April 16, 2007, and became a non-transmission owning Member effective May 1, 2007. Trans-Elect is not currently taking service under the Tariff, and, to staff's knowledge, has not previously taken service under the Tariff. As of July 15, 2013, Trans-Elect has not identified or discussed with SPP staff any rationale for its present delinquency in remitting its annual membership assessments.

Given a previous record of timely payments and pursuant to the Membership Agreement requirements (Section 8.10 – Good Faith Efforts), SPP in good faith contacted Trans-Elect representatives on numerous occasions to permit them to fulfill their financial obligations under the Membership Agreement. The Membership Agreement (Section 3.8(a) – Compliance with Bylaws and other Policies and Procedures) obligates Trans-Elect to pay, when due, any dues, assessments, OATT charges, and other amounts owing to SPP. The annual membership assessment is invoiced to Members each year in early January and is due thirty-one calendar days from the date of the invoice. Trans-Elect last remitted payment on April 26, 2010, for its 2010 annual membership assessment.

Analysis

The Bylaws (Section 2.4 – Termination, Removal and Reinstatement) and the Membership Agreement (Section 6.0 – Removal of Members) provide that the Board of Directors may terminate the membership of any Member for cause, including, for example, material violation of the Bylaws or nonpayment of obligations. A Member terminated by the Board of Directors is obligated to pay all obligations incurred under the Membership Agreement, as well as all Existing Obligations (see Section 4.3.2 – Obligation to Pay Current and Existing Obligations).

SPP's good faith efforts to permit Trans-Elect to fulfill their financial obligations under the Membership Agreement have been unsuccessful, and termination of Trans-Elect's membership by the Board of Directors appears to be in the best interest of SPP. The Bylaws permit Trans-Elect to apply for reinstatement at a later date provided related conditions are met (Section 2.4 – Termination, Removal and Reinstatement). If the Board of Directors terminates Trans-Elect's membership, Trans-Elect's financial obligation to SPP, excluding the delinquent assessments, is approximately \$1 million.

Recommendation

SPP Corporate Governance Committee recommends that the Board of Directors terminate the membership of Trans-Elect effective immediately and that the President promptly provide written notice of Trans-Elect's removal to all other Members (see Section 2.4 of SPP's Bylaws).

Action Requested: Approve Recommendation.



Southwest Power Pool, Inc.
CORPORATE GOVERNANCE COMMITTEE
August 29, 2013

Standards of Conduct

Background

SPP utilizes a Standards of Conduct to set out certain limitations for those engaged with the organization, and as evidence of SPP's independence from market participants.

Analysis

The SPP Standards of Conduct document applies to all SPP employees, the Board of Directors, and the Regional Entity Trustees. To date the organization has used one form for all three groups, although several provisions do not apply to all of them. In addition, various questions have been raised regarding certain financial restrictions, and a relevant FERC order was issued in a case initiated by PJM.

Following research and review of pertinent issues, staff recommends the revisions provided. This establishes separate documents for each group that are more tailored to their respective roles. These revisions also update the documents based on relevant research and the FERC order.

Recommendation

Staff recommends approval of the revised Standards of Conduct documents as presented.

Action Requested: Approval of recommendation.

SOUTHWEST POWER POOL, INC. STANDARDS OF CONDUCT

These Standards of Conduct (“Standards”) apply to current members of the Southwest Power Pool, Inc. (“SPP”) Board of Directors. For purposes of these Standards, "Third Party" means an entity including its representatives, agents, and employees (i) that has executed the SPP Membership Agreement; is an owner, operator or user of the bulk power system in the SPP region, as defined in the Delegation Agreement between the North American Electric Reliability Corporation and SPP; (ii) that is a Transmission Customer customer as defined in under the SPP Open Access Transmission Tariff ("Tariff") or any other tariff that SPP administers; or (iii) for which SPP provides services under contract, including, but not limited to, tariff administration services; or (iv) that engages in purchases or sales of wholesale or retail electric energy in the SPP Region.

As a Regional Transmission Organization, SPP is not subject to the Federal Energy Regulatory Commission’s (“FERC”) published standards of conduct set forth in 18 C.F.R. Part 358. Instead, SPP Directors shall be subject to the standards set forth herein.

1. NO INVOLVEMENT IN MARKETING

- 1.1 No SPP Director shall have any involvement in the purchase or sale of electric energy at wholesale or retail except for the provision of services by SPP under the SPP Tariff or other tariff administered by SPP.

2. CONFIDENTIALITY OF INFORMATION

- 2.1 SPP Directors shall treat all information supplied by a Third Party as confidential to the extent required by the Tariff, the SPP Membership Agreement, the Bylaws, or other pertinent governing document, and shall not disclose that information, unless the information is required to be placed on an Open Access Same-Time Information System (“OASIS”), or is otherwise explicitly approved for disclosure.
- 2.2 Notwithstanding the restrictions in Sections 2.1, SPP Directors may share confidential information obtained from a Third Party as expressly permitted by the Tariff, including, but not limited to (a) sharing the information with FERC when required by the Tariff, and (b) sharing the information with NERC or NERC Regional Entities where SPP determines such disclosure is required to enhance and/or maintain reliability within the SPP Region or neighboring regions or to comply with NERC Reliability Standards. Before any such information is disclosed other than to FERC, the receiving party shall execute a written

agreement to maintain the information as confidential and SPP shall make any required notification to the affected Third Party.

- 2.3 Only SPP Employees providing support to the Regional Entity function and the Regional Entity Trustees shall have access to confidential information associated with the Regional Entity function. Access to confidential Regional Entity information shall be limited to the information required to perform the specific support function. Confidential Regional Entity information shall be maintained as confidential by the SPP Employee providing such support ~~and the Regional Entity Trustees and~~ shall not be shared ~~with any SPP Directors~~ other than with Regional Entity employees, Regional Entity Trustees, or SPP employees or others designated by Regional Entity employees to receive such information.

3. DISCLOSURE OF TRANSMISSION SYSTEM INFORMATION

- 3.1 SPP Directors may not disclose to any entity, its employees, representatives or agents, engaged in wholesale or retail purchases or sales of electric energy any information concerning the transmission system unless that information is (i) posted on the appropriate OASIS or Internet website or (ii) otherwise contemporaneously available to the general public without restriction.
- 3.2 SPP Directors shall not give preferential access to any other information concerning the transmission system to any Third Party.
- 3.3 Any disclosures of transmission system information not in compliance with Sections 3.1 and 3.2 shall be posted immediately on the appropriate OASIS or Internet website.
- 3.4 SPP Directors may disclose transmission information to appropriate other parties if required (a) to comply with NERC Reliability Standards, or (b) to maintain or restore operation of the transmission system or generating units, or that may affect the dispatch of generating units.
- 3.5 SPP Directors may discuss with a Third Party a specific request for transmission service submitted by such Third Party. SPP Directors are not required to contemporaneously publicly disclose information provided in such discussions if the information relates solely to the Third Party's specific request for transmission service.

4. ACCESS TO FACILITIES

- 4.1 No employee, agent, or contractor engaged in wholesale or retail purchases or sales of electric energy shall have access to the SPP control center or backup control center except for educational tours. Such access must be approved in advance by an SPP Officer. Notification of such tours must be posted on the SPP OASIS.

5. IMPLEMENTATION OF TARIFFS

- 5.1 SPP Directors must strictly enforce all provisions of the SPP Tariff or any other tariff administered by SPP, if the tariff provisions do not permit the use of discretion.
- 5.2 Where a provision of the SPP Tariff or any other tariff administered by SPP permits the use of discretion, SPP Directors shall exercise that discretion in a fair and impartial manner that treats all customers in a nondiscriminatory manner.
- 5.3 SPP Directors shall not give any undue preference to any person in implementing the SPP Tariff or any other tariff administered by SPP.

~~6. RECORDKEEPING~~

- ~~6.1 SPP shall maintain records showing the transactions under the SPP Tariff or any other tariff administered by it for a period of three (3) years unless otherwise provided for in the tariff or by law or regulation. Records will be available for inspection by FERC.~~
- ~~6.2 SPP shall maintain a written log detailing the circumstances and manner in which SPP Directors exercise permitted discretion under the terms of any tariff. The information contained in this log is to be posted on the appropriate OASIS or Internet website within 24 hours of when an SPP Director exercises discretion under the terms of any tariff.~~

7. GENERAL RULES GOVERNING SPP DIRECTORS

- 7.1 No SPP Director may be an employee, director, consultant or contractor to any Third Party.
- 7.2 (a) No SPP Director shall have a financial interest in any Third Party.
(b) No SPP Director, or his/her immediate family members, may own securities¹ issued by any Third Party. For purposes of this section, “immediate family members” include: spouses; minor children; or any person for whom the Director has power of attorney or guardianship rights.
(c) If an SPP Director owns such securities, he/she must dispose of them within ~~four~~ six months of:
 - (i) the commencement of engagement at SPP;
 - (ii) ~~the time~~ notification of a new Third Party ~~begins to conducting~~ business with SPP; or
 - (iii) the date of receipt of a gift or inheritance or other taking of legal control of those securities.
(d) SPP Directors may indirectly own securities issued by a Third Party through a mutual fund, blind trust, or similar arrangement under which the SPP Director does not control the purchase or sale of such securities, except for any fund or

¹ Securities include any equity or debt instruments issued by an entity, as well as any derivative instruments whose value is derived based on the value of any equity or debt instrument issued by an entity (e.g. option contracts).

arrangement specifically targeted towards ~~the electric industry or~~ the electric utility industry, or any segments thereof.

(e) SPP will maintain a listing of Third Party entities for SPP Directors' reference.

~~(f) Exceptions to Section 7.2 may be considered on a case-by-case basis per the provisions of Section 9.5 of these Standards.~~

- 7.3 SPP Directors shall not put themselves in a position in which their personal interests might conflict with SPP's interests, SPP's ability to administer the SPP Tariff or any other tariff administered by SPP, or to perform its other obligations on a fair and impartial basis. A "conflict of interest" arises if an SPP Director is offered a gift by another party, where such gift is being made to influence the proposed recipient's actions in their position with SPP, or where acceptance of the gift would reasonably create that impression. Non-cash nominal gifts and entertainment customarily provided in the ordinary course of business will generally not give rise to a conflict of interest. Nominal gifts are gifts or entertainment of any form with token or modest value that will not place SPP Directors under any real or perceived personal obligation to the donor. Should a conflict of interest arise, the SPP Director is required to notify the Chief Compliance Officer.
- 7.4 SPP Directors shall not personally accept any form of cash from Third Parties, potential members, current or potential vendors and customers, or from any persons or entities with which SPP does or actively plans to do business.
- 7.5 SPP Directors shall not use company resources, including SPP's email or its facilities, to support a political campaign. Endorsements or work on a political campaign in a person's capacity as an SPP Director ~~is~~are strictly prohibited.

8. RELATIONSHIPS WITH OTHER PARTIES

- 8.1 Any payments made by SPP to another party, including members, vendors and customers, must be made only for identifiable, business-related purposes in relation to services or products that were provided to SPP. Payments must be reasonable and in relation to the services or products provided and must be provided in accordance with SPP policies and procedures.
- 8.2 SPP Directors are not permitted to give, offer or promise payments or gifts to another party with the intent to improperly influence (or which may appear to improperly influence) the party or to place such party under obligation to the SPP Director or SPP.

9. IMPLEMENTATION AND ENFORCEMENT

- 9.1 SPP will inform SPP Directors with regard to these Standards of Conduct.
- 9.2 SPP will require that each SPP Director execute the Standards of Conduct upon election and ~~annually each calendar year~~ thereafter.

- 9.3 All SPP Directors must follow these Standards and are obligated to report, in a timely fashion, any possible violations they may witness or of which they become aware. Reporting a violation demonstrates a sense of responsibility and fairness to fellow SPP Directors, Third Parties, contractors, vendors and other parties with which the company engages. If an SPP Director believes he/she or another SPP Director may have violated the Standards of Conduct, it is the SPP Director's responsibility to immediately report the violation to the Chief Compliance Officer. Reports and inquiries will be handled confidentially to the greatest extent possible.
- 9.4 Any SPP Director failing to comply with these standards may be subject to action, which may include reprimand, termination of engagement, or other action determined appropriate by SPP.

Violations of these Standards of Conduct include but are not limited to:

- a) Actions that directly violate these Standards
- b) Requesting another SPP Director, Regional Entity Trustee or SPP Employee to violate these Standards
- c) Failure to promptly report a known or suspected violation of these Standards
- d) Failure to cooperate in an SPP investigation of possible violations of these Standards
- e) Retaliation against another SPP Director, Regional Entity Trustee or SPP Employee for reporting a violation or ethical concern

~~9.5 — Only the SPP Board of Directors may authorize a waiver of these Standards for officers, and any such waiver must be promptly disclosed to the SPP Membership. Only the Chief Compliance Officer, in consultation with the President/Chief Executive Officer, may authorize a waiver of these Standards for SPP Directors.~~

Compliance Statement
SPP Standards of Conduct

I, _____, have read the SPP's Standards of Conduct for the Board of Directors and agree to comply with these standards.

(Signature)

(Date)

SOUTHWEST POWER POOL, INC. STANDARDS OF CONDUCT

These Standards of Conduct (“Standards”) apply to all current Southwest Power Pool, Inc. (“SPP”) employees (“SPP Employees”). For purposes of these Standards, “Third Party” means an entity including its representatives, agents, and employees (i) that has executed the SPP Membership Agreement; (ii) that is an owner, operator or user of the bulk power system in the SPP region, as defined in the Delegation Agreement between the North American Electric Reliability Corporation and SPP; (iii) that is a ~~Transmission Customer~~ customer as defined in ~~under~~ the SPP Open Access Transmission Tariff (“Tariff”) or any other tariff that SPP administers; or, (iv) ~~for which SPP provides services under contract, including, but not limited to, tariff administration services; or (iv) that engages in purchases or sales of wholesale or retail electric energy in the SPP Region.~~

As a Regional Transmission Organization, SPP is not subject to the Federal Energy Regulatory Commission’s (“FERC”) published standards of conduct set forth in 18 C.F.R. Part 358. Instead, SPP Employees shall be subject to the standards set forth herein.

1. NO INVOLVEMENT IN MARKETING

- 1.1 No SPP Employee shall have any involvement in the purchase or sale of electric energy at wholesale or retail except for the provision of services by SPP under the SPP Tariff or other tariff administered by SPP.

2. CONFIDENTIALITY OF INFORMATION

- 2.1 SPP Employees during the term of their employment and thereafter shall treat all information supplied by a Third Party as confidential to the extent required by the Tariff, the SPP Membership Agreement, the Bylaws, or other pertinent governing document, and shall not disclose that information, unless the information is required to be placed on an Open Access Same-Time Information System (“OASIS”), or is otherwise explicitly approved for disclosure.
- 2.2 Notwithstanding the restrictions in Sections 2.1, SPP Employees may share confidential information obtained from a Third Party as expressly permitted by the Tariff, including, but not limited to (a) sharing the information with FERC when required by the Tariff, and (b) sharing the information with NERC or NERC Regional Entities where SPP determines such disclosure is required to enhance and/or maintain reliability within the SPP Region or neighboring regions or to comply with NERC Reliability Standards. Before any such information is disclosed other than to FERC [SD1], the receiving party shall execute a written

agreement to maintain the information as confidential and SPP shall make any required notification to the affected Third Party.

- 2.3 Only SPP Employees providing support to the Regional Entity function shall have access to confidential information associated with the Regional Entity function. Access to confidential Regional Entity information shall be limited to the information required to perform the specific support function. Confidential Regional Entity information shall be maintained as confidential by the SPP Employee providing such support and shall not be shared ~~with any SPP employees~~ other than with Regional Entity employees, or SPP employees or others designated by Regional Entity employees to receive such information.

3. DISCLOSURE OF TRANSMISSION SYSTEM INFORMATION

- 3.1 SPP Employees may not disclose to any entity, its employees, representatives or agents, engaged in wholesale or retail purchases or sales of electric energy any information concerning the transmission system unless that information is (i) posted on the appropriate OASIS or Internet website or (ii) otherwise contemporaneously available to the general public without restriction.
- 3.2 SPP Employees shall not give preferential access to any other information concerning the transmission system to any Third Party.
- 3.3 Any disclosures of transmission system information not in compliance with Sections 3.1 and 3.2 shall be posted immediately on the appropriate OASIS or Internet website.
- 3.4 SPP Employees may disclose transmission information to appropriate other parties if required (a) to comply with NERC Reliability Standards, or (b) to maintain or restore operation of the transmission system or generating units, or that may affect the dispatch of generating units.
- 3.5 SPP Employees may discuss with a Third Party a specific request for transmission service submitted by such Third Party. SPP Employees are not required to contemporaneously publicly disclose information provided in such discussions if the information relates solely to the Third Party's specific request for transmission service.

4. ACCESS TO FACILITIES

- 4.1 No employee, agent, or contractor engaged in wholesale or retail purchases or sales of electric energy shall have access to the SPP control center or backup control center except for educational tours. Such access must be approved in advance by an SPP Officer. Notification of such tours must be posted on the SPP OASIS.

5. IMPLEMENTATION OF TARIFFS

- 5.1 SPP Employees must strictly enforce all provisions of the SPP Tariff or any other tariff administered by SPP, if the tariff provisions do not otherwise permit the use of discretion.
- 5.2 Where a provision of the SPP Tariff or any other tariff administered by SPP permits the use of discretion, SPP Employees shall exercise that discretion in a fair and impartial manner that treats all customers in a nondiscriminatory manner.
- 5.3 SPP Employees shall not give any undue preference to any person in implementing the SPP Tariff or any other tariff administered by SPP.

6. RECORDKEEPING

- 6.1 SPP shall maintain records showing the transactions under the SPP Tariff or any other tariff administered by it for a period of five (5) years unless otherwise provided for in the tariff or by law or regulation. Records will be available for inspection by FERC.
- 6.2 SPP shall maintain a written log detailing the circumstances and manner in which SPP Employees exercise permitted discretion under the terms of any tariff. The information contained in this log is to be posted on the appropriate OASIS or Internet website within 24 hours of when an SPP Employee exercises such discretion ~~under the terms of any tariff~~.

7. GENERAL RULES GOVERNING SPP EMPLOYEES

- 7.1 No SPP Employee may be an employee, director, consultant or contractor to any Third Party.
- 7.2 (a) No SPP Employee shall have a financial interest in any Third Party.
(b) No SPP Employee, or his/her immediate family members, may own securities¹ issued by any Third Party. For purposes of this section, “immediate family members” include: spouses; minor children; or any person for whom the Employee has power of attorney or guardianship rights.
(c) If an SPP Employee owns such securities, he/she must dispose of them within ~~four~~ six months of:
 - (i) the commencement of employment at SPP;
 - (ii) ~~the time~~ notification of a new Third Party ~~begins to~~ conducting business with SPP; or
 - (iii) the date of receipt of a gift or inheritance or other taking of legal control of those securities.
(d) SPP Employees may indirectly own securities issued by a Third Party through a mutual fund, blind trust, or similar arrangement under which the SPP Employee does not control the purchase or sale of such securities, except for

¹ Securities include any equity or debt instruments issued by an entity, as well as any derivative instruments whose value is derived based on the value of any equity or debt instrument issued by an entity (e.g. option contracts).

any fund or arrangement specifically targeted towards ~~the electric industry or~~ the electric utility industry, or any segments thereof.

(e) SPP will maintain a listing of Third Party entities for Employees' reference.

~~(f) Exceptions to Section 7.2 may be considered on a case-by-case basis per the provisions of Section 9.5 of these Standards.~~

- 7.3 SPP Employees shall not put themselves in a position in which their personal interests might conflict with SPP's interests, SPP's ability to administer the SPP Tariff or any other tariff administered by SPP, or to perform its other obligations on a fair and impartial basis. A "conflict of interest" arises if an Employee is offered a gift by another party, where such gift is being made to influence the proposed recipient's actions in their position with SPP, or where acceptance of the gift would reasonably create that impression. Non-cash nominal gifts and entertainment customarily provided in the ordinary course of business will generally not give rise to a conflict of interest. Nominal gifts are gifts or entertainment of any form with token or modest value that will not place SPP Employees under any real or perceived personal obligation to the donor. Should a conflict of interest arise, the SPP Employee is required to notify his/her supervisor and the ~~Office of the General Counsel~~Chief Compliance Officer.
- 7.4 SPP Employees shall not personally accept any form of cash from other parties, or current and potential members, vendors and customers; or from any persons or entities with which SPP does or ~~might actively plans to~~ do business.
- 7.5 SPP Employees shall not use company resources, including work time, SPP's email, or its facilities, to support a political campaign. Endorsements or work on a political campaign in a person's capacity as an SPP Employee ~~is~~are strictly prohibited.

8. RELATIONSHIPS WITH OTHER PARTIES

- 8.1 Any payments made by SPP to another party, including members, vendors and customers, must be made only for identifiable, business-related purposes in relation to services or products that were provided to SPP. Payments must be reasonable and in relation to the services or products provided and must be provided in accordance with SPP policies and procedures.
- 8.2 Employees are not permitted to give, offer or promise payments or gifts to another party with the intent to improperly influence (or which may appear to improperly influence) the party or to place such party under obligation to the employee or SPP.

9. IMPLEMENTATION AND ENFORCEMENT

- 9.1 SPP will inform ~~and train~~ SPP Employees with regard to these Standards of Conduct.

- 9.2 SPP will require that each SPP Employee ~~receive training and~~ execute the Standards of Conduct within 30 days of his/her employment and annually each calendar year thereafter.
- 9.3 All Employees must follow these Standards and are obligated to report, in a timely fashion, any possible violations they may witness or of which they become aware. Reporting a violation demonstrates a sense of responsibility and fairness to fellow Employees, Third Parties, contractors, vendors and other parties with which the company engages. Reporting violations in good faith will not subject an Employee to reprisal or retaliation. If an Employee believes he/she or another Employee may have violated the Standards of Conduct, it is the Employee's responsibility to immediately report the violation to his/her supervisor and/or the ~~Office of General Counsel~~Chief Compliance Officer. Reports and inquiries will be handled confidentially to the greatest extent possible.
- 9.4 Any Employee failing to comply with these standards may be subject to disciplinary action, which may include reprimand, suspension without pay, limitation in the scope of responsibilities, monetary fines, termination of employment, or other action determined appropriate by SPP.

Violations of these Standards of Conduct include but are not limited to:

- a) Actions that directly violate these Standards
- b) Requesting another employee, Director, or Regional Entity Trustee to violate these Standards
- c) Failure to promptly report a known or suspected violation of these Standards
- d) Failure to cooperate in an SPP investigation of possible violations of these Standards
- e) Retaliation against another employee for reporting a violation or ethical concern

~~9.5 — Only the SPP Board of Directors may authorize a waiver of these Standards for officers, and any such waiver must be promptly disclosed to the SPP Membership. Only the Office of General Counsel, in consultation with the President/Chief Executive Officer, may authorize a waiver of these Standards for other SPP Employees.~~

SOUTHWEST POWER POOL, INC. STANDARDS OF CONDUCT

These Standards of Conduct (“Standards”) apply to current members of the Southwest Power Pool, Inc. (“SPP”) Regional Entity Trustees. For purposes of these Standards, “Third Party” means an entity including its representatives, agents, and employees ~~(i) that is an owner, operator or user of the bulk power system in the SPP region, as defined in the Delegation Agreement between the North American Electric Reliability Corporation and SPP; (ii) that is a Transmission Customer as defined in the SPP Open Access Transmission Tariff (“Tariff”) or any other tariff that SPP administers; (iii) for which SPP provides services under contract, including, but not limited to, tariff administration services; or (iv) that engages in purchases or sales of wholesale or retail electric energy in the SPP Region.~~

As a Regional Transmission Organization, SPP is not subject to the Federal Energy Regulatory Commission’s (“FERC”) published standards of conduct set forth in 18 C.F.R. Part 358. Instead, SPP Regional Entity Trustees shall be subject to the standards set forth herein.

~~1. NO INVOLVEMENT IN MARKETING~~

~~1.1 — No SPP Regional Entity Trustee shall have any involvement in the purchase or sale of electric energy at wholesale or retail except for the provision of services by SPP under the SPP Tariff or other tariff administered by SPP.~~

2. CONFIDENTIALITY OF INFORMATION

2.1 SPP Regional Entity Trustees shall treat all information supplied by a Third Party as confidential to the extent required by ~~the Tariff~~, the SPP Membership Agreement, the Bylaws, or other pertinent governing document, and shall not disclose that information, unless the information is ~~required to be placed on an Open Access Same Time Information System (“OASIS”), or is otherwise~~ explicitly approved for disclosure.

2.2 Notwithstanding the restrictions in Sections 2.1, SPP Regional Entity Trustees may share confidential information obtained from a Third Party ~~as expressly permitted by the Tariff~~, including, but not limited to (a) sharing the information with FERC when required ~~by the Tariff~~, and (b) sharing the information with NERC or NERC Regional Entities where SPP determines such disclosure is required to enhance and/or maintain reliability within the SPP Region or neighboring regions or to comply with NERC Reliability Standards. Before any such information is disclosed other than to FERC, the receiving party shall

execute a written agreement to maintain the information as confidential and SPP shall make any required notification to the affected Third Party.

- 2.3 Only SPP Employees providing support to the Regional Entity function and the Regional Entity Trustees shall have access to confidential information associated with the Regional Entity function. Access to confidential Regional Entity information shall be limited to the information required to perform the specific support function. Confidential Regional Entity information shall be maintained as confidential by the SPP Employee providing such support and ~~the Regional Entity Trustees and~~ shall not be shared ~~with any other SPP Employees or SPP Directors other than with Regional Entity employees, Regional Entity Trustees, or SPP employees or others designated by Regional Entity employees to receive such information.~~

~~3. DISCLOSURE OF TRANSMISSION SYSTEM INFORMATION~~

- ~~3.1 SPP Regional Entity Trustees may not disclose to any entity, its employees, representatives or agents, engaged in wholesale or retail purchases or sales of electric energy any information concerning the transmission system unless that information is (i) posted on the appropriate OASIS or Internet website or (ii) otherwise contemporaneously available to the general public without restriction.~~
- ~~3.2 SPP Regional Entity Trustees shall not give preferential access to any other information concerning the transmission system to any Third Party.~~
- ~~3.3 Any disclosures of transmission system information not in compliance with Sections 3.1 and 3.2 shall be posted immediately on the appropriate OASIS or Internet website.~~
- ~~3.4 SPP Regional Entity Trustees may disclose transmission information to appropriate other parties if required (a) to comply with NERC Reliability Standards, or (b) to maintain or restore operation of the transmission system or generating units, or that may affect the dispatch of generating units.~~
- ~~3.5 SPP Regional Entity Trustees may discuss with a Third Party a specific request for transmission service submitted by such Third Party. SPP Regional Entity Trustees are not required to contemporaneously publicly disclose information provided in such discussions if the information relates solely to the Third Party's specific request for transmission service.~~

~~4. ACCESS TO FACILITIES~~

- ~~4.1 No employee, agent, or contractor engaged in wholesale or retail purchases or sales of electric energy shall have access to the SPP control center or backup control center except for educational tours. Such access must be approved in advance by an SPP Officer. Notification of such tours must be posted on the SPP OASIS.~~

~~5. IMPLEMENTATION OF TARIFFS~~

~~5.1 SPP Regional Entity Trustees must strictly enforce all provisions of the SPP Tariff or any other tariff administered by SPP, if the tariff provisions do not permit the use of discretion.~~

~~5.2 Where a provision of the SPP Tariff or any other tariff administered by SPP permits the use of discretion, SPP Regional Entity Trustees shall exercise that discretion in a fair and impartial manner that treats all customers in a nondiscriminatory manner.~~

~~5.3 SPP Regional Entity Trustees shall not give any undue preference to any person in implementing the SPP Tariff or any other tariff administered by SPP.~~

~~6. RECORDKEEPING~~

~~6.1 SPP shall maintain records showing the transactions under the SPP Tariff or any other tariff administered by it for a period of three (3) years unless otherwise provided for in the tariff or by law or regulation. Records will be available for inspection by FERC.~~

~~6.2 SPP shall maintain a written log detailing the circumstances and manner in which SPP Regional Entity Trustees exercise permitted discretion under the terms of any tariff. The information contained in this log is to be posted on the appropriate OASIS or Internet website within 24 hours of when an SPP Regional Entity Trustee exercises discretion under the terms of any tariff.~~

7. GENERAL RULES GOVERNING SPP ~~EMPLOYEES~~ REGIONAL ENTITY TRUSTEES

7.1 No SPP Regional Entity Trustee may be an employee, director, consultant or contractor to any Third Party.

7.2 (a) No SPP Regional Entity Trustee shall have a financial interest in any Third Party.

(b) No SPP Regional Entity Trustee, or his/her immediate family members, may own securities¹ issued by any Third Party. For purposes of this section, “immediate family members” include: spouses; minor children; or any person for whom the Director has power of attorney or guardianship rights.

(c) If an SPP Regional Entity Trustee owns such securities, he/she must dispose of them within ~~four~~ six months of:

(i) the commencement of engagement at SPP;

(ii) ~~the time~~ notification of a new Third Party ~~begins to conduct business~~ registering with SPP; or

(iii) the date of receipt of a gift or inheritance or other taking of legal control of those securities.

¹ Securities include any equity or debt instruments issued by an entity, as well as any derivative instruments whose value is derived based on the value of any equity or debt instrument issued by an entity (e.g. option contracts).

- (d) SPP Regional Entity Trustees may indirectly own securities issued by a Third Party through a mutual fund, blind trust, or similar arrangement under which the SPP Regional Entity Trustee does not control the purchase or sale of such securities, except for any fund or arrangement specifically targeted towards ~~the electric industry or~~ the electric utility industry, or any segments thereof.
- (e) SPP will maintain a listing of Third Party entities for Regional Entity Trustees' reference.
- ~~(f) Exceptions to Section 7.2 may be considered on a case-by-case basis per the provisions of Section 9.5 of these Standards.~~

- 7.3 SPP Regional Entity Trustees shall not put themselves in a position in which their personal interests might conflict with the SPP RE's interests, ~~SPP's ability to administer the SPP Tariff or any other tariff administered by SPP,~~ or to perform its ~~other~~ obligations on a fair and impartial basis. A "conflict of interest" arises if a Regional Entity Trustee is offered a gift by another party, where such gift is being made to influence the proposed recipient's actions in their position with SPP RE, or where acceptance of the gift would reasonably create that impression. Non-cash nominal gifts and entertainment customarily provided in the ordinary course of business will generally not give rise to a conflict of interest. Nominal gifts are gifts or entertainment of any form with token or modest value that will not place SPP Regional Entity Trustee under any real or perceived personal obligation to the donor. Should a conflict of interest arise, the SPP Regional Entity Trustee is required to notify the Chief Compliance Officer.
- 7.4 SPP Regional Entity Trustees shall not personally accept any form of cash from Third Parties, potential members/registered entities, current or potential vendors ~~and customers~~; or from any persons or entities with which SPP RE does or actively plans to do business.
- 7.5 SPP Regional Entity Trustees shall not use company resources, including SPP's email or its facilities, to support a political campaign. Endorsements or work on a political campaign in a person's capacity as an SPP Regional Entity Trustee ~~is~~ are strictly prohibited.

8. RELATIONSHIPS WITH OTHER PARTIES

- 8.1 Any payments made by SPP RE to another party, including members, vendors and customers, must be made only for identifiable, business-related purposes in relation to services or products that were provided to SPP RE. Payments must be reasonable and in relation to the services or products provided and must be provided in accordance with SPP, Inc. policies and procedures.
- 8.2 SPP Regional Entity Trustees are not permitted to give, offer or promise payments or gifts to another party with the intent to improperly influence (or which may appear to improperly influence) the party or to place such party under obligation to the SPP Regional Entity Trustee or SPP, Inc.

9. IMPLEMENTATION AND ENFORCEMENT

- 9.1 SPP will inform SPP Regional Entity Trustees with regard to these Standards of Conduct.
- 9.2 SPP will require that each SPP Regional Entity Trustee execute the Standards of Conduct upon election and ~~annually~~ once each calendar year thereafter.
- 9.3 All SPP Regional Entity Trustees must follow these Standards and are obligated to report, in a timely fashion, any possible violations they may witness or of which they become aware. Reporting a violation demonstrates a sense of responsibility and fairness to fellow SPP Regional Entity Trustees, Third Parties, contractors, vendors and other parties with which the company engages. If an SPP Regional Entity Trustee believes he/she or another SPP Regional Entity Trustee may have violated the Standards of Conduct, it is the SPP Regional Entity Trustee's responsibility to immediately report the violation to the Chief Compliance Officer. Reports and inquiries will be handled confidentially to the greatest extent possible.
- 9.4 Any SPP Regional Entity Trustee failing to comply with these standards may be subject to action, which may include reprimand, termination of engagement, or other action determined appropriate by SPP.

Violations of these Standards of Conduct include but are not limited to:

- a) Actions that directly violate these Standards
- b) Requesting another SPP Regional Entity Trustee, Director or SPP Employee to violate these Standards
- c) Failure to promptly report a known or suspected violation of these Standards
- d) Failure to cooperate in an SPP investigation of possible violations of these Standards
- e) Retaliation against another SPP Regional Entity Trustee, Director or SPP Employee for reporting a violation or ethical concern

~~9.5 — Only the SPP Board of Directors may authorize a waiver of these Standards for officers, and any such waiver must be promptly disclosed to the SPP Membership. Only the Chief Compliance Officer, in consultation with the President/Chief Executive Officer, may authorize a waiver of these Standards for SPP Regional Entity Trustees.~~

Compliance Statement
SPP Standards of Conduct

I, _____, have read the SPP's Standards of Conduct for Regional Entity Trustees and agree to comply with these standards.

(Signature)

(Date)

PROPOSED RECOVERY OF SETTLEMENT AGREEMENT COSTS UNDER ATTACHMENT AP

SUMMARY

Southwest Power Pool, Inc., (“SPP”) has recently paid \$50,000 to the Federal Energy Regulatory Commission (“FERC”) to settle an investigation into possible violations of Reliability Standards by SPP. Attachment AP of the SPP Open Access Transmission Tariff (“Tariff”) requires SPP to submit a filing to recover the cost of such payment and to propose to the FERC how such cost should be allocated within SPP. This document briefly describes the background of this particular matter and identifies options to consider for the FERC filing required by Attachment AP and FERC guidance.

RECENT STIPULATION AND CONSENT AGREEMENT

On July 10, 2013, FERC issued an Order Approving Stipulation and Consent Agreement¹ (“July 10 Order”) approving an agreement between SPP and FERC, to settle an investigation conducted by FERC into possible violations of Reliability Standards associated with SPP’s reliability coordination of a portion of the Bulk Power System. FERC initiated an investigation into whether SPP had complied with Reliability Standards applicable to an event that occurred on December 26, 2007. This investigation focused on SPP’s functioning as a NERC-registered reliability coordinator (RC) both as the ICT and for the SPP RTO. The July 10 Order notes that SPP agreed to pay a total civil penalty of \$50,000, and to conduct other mitigation described in the Stipulation and Consent Agreement (“Agreement”). While FERC and NERC staff concluded that SPP violated two requirements of two Reliability Standards, SPP neither admits nor denies FERC and NERC’s determinations.

ATTACHMENT AP

Attachment AP of the SPP Tariff provides notice to all Market Participants and Members that they may potentially be responsible for penalty costs assessed against the Transmission Provider (SPP) for confirmed violations of any NERC Reliability Standard. Market Participants and Members 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.

Further, Attachment AP provides for the recovery of costs associated with penalties assessed by NERC or another Regional Entity against SPP for confirmed violations of NERC Reliability Standards resulting from acts or omissions of a Market Participant(s), Member(s), SPP, and where it is undetermined what entity caused such violations.

SPP has paid a reliability violation penalty assessed against it acting in its capacity under the Tariff. Section 3 of Attachment AP dictates SPPs actions in cases when reliability penalty costs were caused by SPP, such as reflected in the Agreement.

Section 3 of Attachment AP states:

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**

¹ 144 FERC ¶ 61,019, Docket No. IN13-14

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 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;

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

As a result, SPP is obligated to submit a section 205 filing seeking recovery of the costs incurred in the payment of the settlement amount and proposing how such costs should be allocated, or it risks being in violation of Attachment AP, which may result in a separate penalty.

The FERC issued an “Order Providing Guidance on Recovery of Reliability Penalty Costs by RTOs and ISOs” in 2008. In that order, the FERC stated, “we will not allow RTOs and ISOs to adopt tariff mechanisms that provide automatic recovery of penalties incurred for Reliability Standards violations and will instead require that proposals to recover any such penalties be filed case-by-case.” The Tariff clearly does not contemplate an automatic recovery and FERC stated that it requires any such penalty recovery to be filed.

RECOVERY AND ALLOCATION OPTIONS

Potential methodologies to consider for inclusion in SPP’s filing to recover and allocate the costs of the settlement amount include:

- (1) Tariff Schedule 1(a) charge: Mechanism allows SPP to collect from Tariff Customers up to 100% of its expenses and other costs not otherwise collected;
- (2) SPP Member assessment: Each SPP member pays a prorated share of the settlement amount based on its withdrawal allocation formula contained in the SPP Membership Agreement;
- (3) Load Ratio Share: Each Load Serving Member pays a proportionate share of the settlement amount based on its load within SPP;
- (4) Tariff Schedule 12: Rate charged on all energy transmitted in the SPP region and paid to FERC as a jurisdictional public utility.

RECOMMENDATION

Utilize Schedule 1(a) for the recovery of the settlement amount, under Option 1. The cost of the settlement amount would therefore be borne by the same customers who pay Schedule 1(a) fees. The basis for this methodology is that SPP was acting pursuant to its tariff in the provision of tariff services to customers who pay Schedule 1(a) fees, at the time of the alleged violations that led to the alleged violation. In contrast, there is not a direct relationship between SPP Membership and the provision of the tariff services that led to the alleged violation. In other words, SPP was providing tariff services to more than just SPP Members during the time of the alleged violation. As a result, the allocation to customers who pay Schedule 1(a) fees is just and reasonable since those entities were receiving the services being provided that led to the alleged violation.