Friday, April 4, 2014
Regional State Committee Workshop on the Integrated System
10:00 a.m. – 2:00 p.m.
DFW Hyatt Regency
Dallas, TX

1. WELCOME (10:00) ................................................................. Chairman Donna Nelson & Paul Suskie
2. Impact of Integrated System Joining SPP ................................................................. Carl Monroe
   a. Material Covered at February 24, 2014 Member Workshop
   b. Report on Strategic Planning Committee Meetings
3. Cost Allocation ..................................................................................... Carl Monroe/Paul Suskie
   a. Impact on Highway/Byway Cost Allocation, including Regional Cost Allocation Review
4. Potential Clarification to RSC Bylaws ........................................................ Paul Suskie
5. SPP Bylaw and Membership Agreement Changes ........................................... Paul Suskie
6. Tariff Changes ......................................................................................... Carl Monroe
   a. Report on changes to tariff under consideration by the Regional Tariff Working Group, including:
      1. Definition of Base Plan Upgrades
      2. Attachment J
   b. Federal Service Exemption
   c. Basin Electric Power Cooperative as Builder
   d. Application of Transmission Service Rates to Integrated System after October 1, 2015
7. Other Business and Closing Comments/Adjournment ................................ Chairman Donna Nelson
RSC Workshop on the Integration of WAPA, Basin, Heartland

April 4, 2014

AGENDA

I.  Impact of IS Joining SPP
II.  Cost Allocation
III.  Potential Clarification to RSC Bylaws
IV.  SPP Bylaw and Membership Agreement Changes
V.  Tariff Changes
VI.  Other Business and Closing Comments/Adjournment
Western, Basin, and Heartland

OVERVIEW OF THE IS

BASIN ELECTRIC POWER COOPERATIVE
A Touchstone Energy® Cooperative
Basin Electric

- Basin Electric Power Cooperative (Basin Electric) is one of the largest electric generation and transmission (G&T) cooperatives in the United States. They are the parent company of eight subsidiaries.
- A not-for-profit generation and transmission cooperative incorporated in 1961 to provide supplemental power to a consortium of rural electric cooperatives
- Diverse energy portfolio: coal, gas, oil, nuclear, distributed, and renewable energy, including wind power
- Consumer owned by 137 member cooperative systems
- Members’ service territories comprise 540,000 square miles in nine states
- By end of year 2013 Basin Electric will operate 4,824 megawatts (MW) of wholesale electric generating capacity and have 5,289.2 MW of capacity within its generation portfolio
- Owns 2,165 miles and maintains 2,250 miles of high-voltage transmission, and owns and maintains equipment in 70 switchyards and 149 telecommunication sites
- Serves 2.8 million electric consumers

Basin Electric Power Cooperative

- Consumer owned by 137 Member Cooperatives
- 11 Districts in 9 states
- Service Territories Comprise 540,000 square miles
- Serves 2.8 million electric consumers
- 5,289 MW of capacity within its generation portfolio
- 2,000 employees
- 8 subsidiaries
Heartland Background

- Non-profit public power district headquartered in Madison, South Dakota
  - Staff of 12
- Public corporation and political subdivision of the State of South Dakota
  - Formed in 1969 under South Dakota’s Consumers Power District statutes – Title 49, Chapters 35-40
  - Similar in structure to Nebraska public power entities
- Wholesale power supplier to 29 municipal system in SD, MN and IA, five South Dakota state institutions and one cooperative – mostly supplemental to WAPA
- Minority owner of the Integrated System
- Most assets jointly owned with other public entities
Heartland Customers and Resources

- **35 Customers (140 MW, 900 GWh)**

**Primary Resources**
- Laramie River Station Unit 1
- Whelan Energy Center Unit 2
- Wessington Springs Wind Energy Center

Heartland’s Governance

- **Powers of the district are vested in the Board of Directors**
  - Ultimate decision-making authority
  - Not state PUC or FERC jurisdictional

- **Board of Directors**
  - 10 directors from subdivisions in eastern South Dakota
  - Elected during general elections
  - Six-year staggered terms
  - Non-partisan positions

Note: Subdivision 10 contains the cities of Governor, Madison and Volga, SD.
Note: Subdivision 4 includes the cities of River, and the Split Rock Township of Moville County.
Western Area Power Administration

Western Area Power Administration
Where We Get The Power
Western-UGP

Congressionally Authorized
Project Purposes:
• Flood Control
• Navigation
• Irrigation
• M&I Water Supply
• Hydropower
• Recreation
• Fish & Wildlife (includes endangered species)

Western-UGP Stats:
• 378,000 square miles of service area
• 118 substations and 7,920 miles of transmission lines (Federal owned)
• 360+ power and transmission customers
• 2,675 MW installed capability (2 BOR, 6 COE facilities)
• Approx. 10,000 Gwh’s of energy produced in median year.
• Operate 2 Balancing Authorities (East and West systems)
History

- 1963 – Missouri Basin Systems Group Pooling Agreement signed,
  - The Joint Transmission System (JTS) created
- 1998 – JTS was modified to become the Integrated System providing service under Western’s OATT
- 1995-2010 – Western and other IS transmission owners transmission facilities were a part of the Mid-Continent Area Power Pool (MAPP) Schedule F tariff for short-term point-to-point service
Basin / Western / Heartland Integrated System (IS)

And Other Facility Owners:
Missouri River Energy Services
NorthWestern Energy

Western, Basin, and Heartland
IS PROCESS OF EVALUATING RTO MEMBERSHIP
IS PROCESS FOR EVALUATING RTO OPTIONS

• 10-15 years of study and discussions about any advantages for wider coordination
• September 2011 – Charles River Associates high level study showed RTO participation was beneficial.
• March 2013 – Brattle Study looking at:
  – Standing alone
  – Joining MISO
  – Joining SPP
• SPP was best option
SPP

SPP PROCESS OF EVALUATING IS MEMBERSHIP IN SPP

Strategic Planning Committee

- Members adopted process within the SPC to assist SPP Staff with process of working with interested parties to explore membership in SPP.
- Used with all prospective members since Nebraska entities joined SPP.
- SPC appoints sub-group to assist Staff with regular reports to the SPC.
- Used during negotiations with Entergy on prospective membership
IS Interest and SPC Role

- SPC chair appointed a sub-group in September, 2012 to assist SPP Staff with interest expressed by IS. This sub-group has met 10 times.
- SPP Staff reviewed progress with SPC in all meetings since then including three meetings (May 1, 2013, October 17, 2013 and January 16, 2014) that were in executive session including State Regulatory staff.
- In all these SPP Staff received comments and adjustments to the proposals in negotiations with the IS entities.
- SPP Staff validated with SPC the proposals provided to the IS parties in the negotiations.

Integration Study

- As part of the discussions at the SPC, SPP Staff provided two analyses needed for the SPP members
  - Cost/Benefit Analysis for SPP from IS joining SPP
  - Transmission Analysis to insure that IS transmission facilities were up to SPP standards (SPP Criteria and SPP interpretation of NERC Standards) (See below)
    - Any facilities needed to upgrade to those standards would be the IS parties cost responsibility (some were identified that they were already planning to construct).
    - Additional the analysis provided the need-by dates for all IS construction expansion plans.
February 24, 2014 SPP Stakeholder Workshop

• After the public announcements of the IS parties about pursuing joining SPP, SPP Staff scheduled a meeting for all stakeholders to review the proposed changes to SPP governing documents.

• The IS parties introduced themselves and SPP Staff walked through the SPP Bylaws, Membership Agreement and Tariff changes that were in the process of being edited for integrating the IS.

  Presentation material is attached.

IS Inclusion in the ITP Process

• The ITP 10-Y Assessment currently being considered includes the IS transmission facilities and generation

• IS transmission facilities will be included in all subsequent iterations of the ITP process
WAPA/Basin/Heartland Transmission Integration Study

January 27, 2014

Purpose

• Perform an evaluation of the Western/Basin/Heartland IS transmission system in the event a decision was made to join the SPP RTO.

  – There were two main objectives of the Integration Study:
    ▪ Evaluate the IS transmission system to determine whether it satisfies SPP’s Planning Criteria and NERC TPL Standards
    ▪ Identify the SPP “need-by” dates of the transmission projects provided by the IS in relation to the assumed October 2015 integration date
Stakeholder Involvement

- Seams Steering Committee (SSC) reviewed the study scope on September 5, 2013
- Transmission Working Group (TWG) reviewed the study scope on September 18, 2013
- Preliminary draft study report sent to TWG on September 30, 2013
- TWG reviewed final draft study report on October 23, 2013
  - TWG endorsed the study as having been conducted in accordance with SPP’s planning criteria
- The IS provided input and information as needed throughout the process

SPP and the Integrated System
Study Process and Methodology

SPP started with 2014, 2015 and 2019 ITPNT models for the study

- 2014 winter peak, 2015 summer and winter peak, 2019 light-load, summer and winter peak

Data Inputs

Study Process and Methodology Cont.

- Non-contingency (base case), N-1, and select Category C contingency analysis was performed on the IS transmission system
  - Facilities in the IS 69kV and above were monitored for potential violations of SPP Criteria and NERC TPL standards
- The IS provided mitigations and/or operating guides for the potential violations identified
Costs Allocated under IS System

- Substation in Rapid City DC tie property – 230/115kV Dry Creek, with 200 MVA transformer and Rapid City- Dry Creek 115 kV line (4/1/2014)
- Ordway 1x20 MVAr 115 kV Capacitor (12/1/2014)
- Logan – SW Minot reconductor (12/1/2014)
- Replace Spencer KY1A, KY1B, Volt Reg with one 161/69 kV 150 MVA LTC Transformer (12/1/2014)

Cost Allocated under SPP’s Highway/Byway

- Phase I (12/1/2017)
  - AVS Switchyard, 345 kV
  - AVS to Charlie Creek 2, 345 kV Line
  - Charlie Creek Sub, 345 kV
- Phase II (12/1/2017)
  - Charlie Creek Sub to Indian Hills to Judson, 345 kV line
  - Judson Sub to Williston Sub, 230 kV
  - Judson Sub, 345/230 kV
- Phase III (Post 2019)
  - Gumbo Creek Sub, 345/115 kV
  - Gumbo Creek to Blue Butte to Indian Hill, 345 kV line
  - Blue Butte & Indian Hill Sub’s, 345/115 kV
- Phase IV (12/1/2017)
  - Jusdon Sub to Tande Sub 345 kV line
  - Tande Sub to Neset Sub 230 kV line
  - Tande Sub 345/230 kV
  - Neset Sub 230 kV
- Lower Brule 230 kV line & associated substation work (12/1/2016)
Conclusion

• 24 potential reliability issues were identified
• 9 projects currently planned by the IS to address category A or B issues
  – 4 are needed before the assumed integration date
  – 4 are needed after the assumed integration date
  – 1 was not identified as needed within the scope of the study
OVERVIEW OF THE INTERCONNECTION BETWEEN SPP AND THE IS SYSTEM
All ties from EI to ERCOT and WI via the SPP/IS System
## Integration Comparison

<table>
<thead>
<tr>
<th></th>
<th>IS to SPP</th>
<th>MISO South to MISO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Load Additions (MW)</strong></td>
<td>4000^</td>
<td>23000^</td>
</tr>
<tr>
<td><strong>Number of Transmission Ties</strong></td>
<td>11*</td>
<td>1</td>
</tr>
<tr>
<td><strong>Transmission Tie Capacity (MW)</strong></td>
<td>3,000MW</td>
<td>1,000MW</td>
</tr>
<tr>
<td><strong>Current + Addition + New Total Load (MW)</strong></td>
<td>51,000 + 4,000 = 55,000^</td>
<td>99,000 + 23,000 = 122,000^</td>
</tr>
</tbody>
</table>

^Annual peaks rounded to the nearest 1,000 MW

*10 existing ties with 1 new tie to go in-service in 2018

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**SPP**

**ON-GOING SPP STAKEHOLDER PROCESS**
**CGC Responsibilities**

- The SPP Corporate Governance Committee (CGC) is responsible for overall governance structure of SPP. When necessary the CGC makes recommended changes to SPP governance structure. This responsibility is stated in the CGC Organizational Group Scope Statement dated October 29, 2013.
  - **Scope of Activities**
    - The CGC is responsible for the overall governance structure, including nominations, for the company in accordance with its scope as approved by the Board of Directors.
  - 1) 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;

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**SPP CGC Process for Integrating Western, Basin, & Heartland**

<table>
<thead>
<tr>
<th>Meeting Schedule</th>
<th>Conference call Date TBD</th>
<th>Next Steps for CGC Recommendations</th>
<th>Areas of Changes to SPP Governance under consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 27, 2014</td>
<td>Little Rock, AR</td>
<td>MOPC - April 15-16, 2014</td>
<td>SPP Membership Agreement</td>
</tr>
<tr>
<td>Conference call Date TBD</td>
<td>March 31, 2014</td>
<td>Oklahoma City, OK</td>
<td>(1) Add “Federal Law” to pertinent sections;</td>
</tr>
<tr>
<td></td>
<td>Dallas, TX</td>
<td>BOD/MC - April 29, 2014</td>
<td>(2) Add references to “Federal Power Marketing Agencies” (FPMA) in pertinent sections;</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>(3) Addition of definitions to correspond with new definitions in OATT (e.g. Upper Missouri Zone);</td>
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<td></td>
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<td>(4) Add references to FERC’s relationship with FPMA in ratemaking context;</td>
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<td></td>
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<td></td>
<td>(5) Add language about withdrawal and related obligations;</td>
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<td>(6) Add language about assigning Membership Agreement; and</td>
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<td></td>
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<td></td>
<td>(7) Party Specific Issues</td>
</tr>
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<td></td>
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<td></td>
<td><strong>SPP Bylaws</strong></td>
</tr>
<tr>
<td></td>
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<td></td>
<td>(1) Add FPMA seats to the Members Committee and the CGC;*</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(2) Added pertinent language about FPMA withdrawing as Members (Federal Law Matters)</td>
</tr>
</tbody>
</table>
### Changes to the SPP Membership Agreement (MA)

<table>
<thead>
<tr>
<th>Area of Change</th>
<th>Description</th>
<th>Locations of Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definitions</td>
<td>Federal Power Marketing Agency Federal Power – Western–UGP Statutory Load Obligations Upper Missouri Zone Western Area Power Administration – Upper Great Plains Region</td>
<td>1.0</td>
</tr>
<tr>
<td>Commitments, Rights, Powers and Obligations of Member</td>
<td>Federal Exemption</td>
<td>3.0 (h)</td>
</tr>
<tr>
<td>Construction</td>
<td>Coordinate construction with the appropriate Administrator of a FMA</td>
<td>3.3 (a)</td>
</tr>
<tr>
<td>Pricing</td>
<td>Right to file rates at FERC under 10 CFR Part 903 and 18 CFR Part 300</td>
<td>3.10</td>
</tr>
<tr>
<td>No Waiver of Jurisdictional Immunity</td>
<td>FERC review of FPMA rates would be consistent with Delegation Order No. 00-037.00A</td>
<td>3.11</td>
</tr>
</tbody>
</table>

### Changes to the SPP MA (Cont.)

<table>
<thead>
<tr>
<th>Area of Change</th>
<th>Description</th>
<th>Locations of Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance with Federal or State Law</td>
<td>Non-jurisdictional member can not take action that is not consistent with Federal law. Adds language that compliance will be determined by the FPMA Administrator</td>
<td>3.12</td>
</tr>
<tr>
<td>Events of Termination and Partial Termination</td>
<td>Clean up to add a reference to Section 8.2</td>
<td>4.1A.f.</td>
</tr>
<tr>
<td>Termination Procedures and Effective Dates</td>
<td>FPMA is not required to make a withdrawal deposit and will only pay costs as provided at 4.3.2(e)</td>
<td>4.2.1 (b)</td>
</tr>
<tr>
<td>Effective Date of Termination (other Than Voluntary Withdrawal)</td>
<td>Provides for withdrawal of any member in less than 24 months and exit fees required</td>
<td>4.2.2 (b)(v)</td>
</tr>
<tr>
<td>Regulatory and Other Authorities</td>
<td>Approval of participation is subject to respective federal authorities</td>
<td>5.1</td>
</tr>
</tbody>
</table>
Changes to the SPP MA (Cont.)

<table>
<thead>
<tr>
<th>Area of Change</th>
<th>Description</th>
<th>Locations of Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effectiveness as to Certain Members</td>
<td>Applicability of MA to a non-public utility to acquire waivers for financing facilities</td>
<td>5.3</td>
</tr>
<tr>
<td>Governing Law</td>
<td>Application of Federal Law for FPMA</td>
<td>8.1</td>
</tr>
<tr>
<td>Successors and Assigns</td>
<td>Clean up language</td>
<td>8.2</td>
</tr>
<tr>
<td>Severability</td>
<td>Clean up language</td>
<td>8.4</td>
</tr>
<tr>
<td>Specific Amendments for WAPA</td>
<td>Federal Service Exemption</td>
<td>A1.2</td>
</tr>
<tr>
<td>Specific Amendments for WAPA</td>
<td>FPMA Termination of Agreement</td>
<td>A1.11</td>
</tr>
<tr>
<td>Specific Amendments for Basin</td>
<td>Clean up language</td>
<td>A1.-2.</td>
</tr>
<tr>
<td>Specific Amendments for Heartland</td>
<td>Clean up language</td>
<td>A1.-2.</td>
</tr>
</tbody>
</table>

Changes to SPP Bylaws

<table>
<thead>
<tr>
<th>Area of Change</th>
<th>Description</th>
<th>Locations of Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definitions</td>
<td>Define “Federal Power Marketing Agency”</td>
<td>1.0 Bylaws</td>
</tr>
<tr>
<td>Qualifications</td>
<td>Opens membership to FPMA</td>
<td>2.1 Bylaws</td>
</tr>
<tr>
<td>Composition of Members Committee</td>
<td>Expand number from 19 to 21; increase state power agencies to 2; added 1 rep from FPMA</td>
<td>5.1.1.1 Bylaws</td>
</tr>
<tr>
<td>Corporate Governance Committee</td>
<td>Expand number from 9 to 10 to include a rep from a FPMA</td>
<td>6.6 Bylaws</td>
</tr>
<tr>
<td>Withdrawal Obligation</td>
<td>Application of financial obligations to a FPMA</td>
<td>8.7.5 Bylaws</td>
</tr>
<tr>
<td>Amendments to Bylaws, MA, or Articles of Incorporation</td>
<td>Application of changes in these documents to a FPMA</td>
<td>10.0 Bylaws</td>
</tr>
</tbody>
</table>
RTWG Responsibilities

- **PURPOSE**
  - The Regional Tariff Working Group (RTWG) is responsible for development, recommendation, overall implementation and oversight of SPP’s open access regional transmission service tariff (Tariff). The RTWG will further advise the SPP Staff on regulatory or implementation issues not specifically covered by the Tariff or issues where there may be conflict or differing interpretations of the Tariff. The RTWG provides policy input to the Market Operations Policy Committee (MOPC) and Board of Directors (BOD) and its committees, if requested.

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**SPP RTWG Process for Integrating Western, Basin, & Heartland**

<table>
<thead>
<tr>
<th>Meeting Schedule</th>
<th>OATT Changes Sent to RTWG Chair</th>
<th>March 26-27, 2014 Dallas, TX</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 12, 2014 Process Improvement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tariff TF Conference Call</td>
<td></td>
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</tr>
</tbody>
</table>

**Next Steps**

<table>
<thead>
<tr>
<th>Next Steps for Tariff Language</th>
<th>MOPC - April 15-16, 2014 Oklahoma City, OK</th>
<th>RSC/BOD - April 28-29, 2014 Oklahoma City, OK</th>
</tr>
</thead>
</table>

**Areas of Changes to SPP OATT under consideration**

<table>
<thead>
<tr>
<th>OATT Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Creation of New Pricing Zone, called the Upper Missouri Zone or “Zone 19,” to cover the region in which the IS Owners and facilities are located;</td>
</tr>
<tr>
<td>(2) Defined “Federal Service Exemption” for WAPA/Western not being subject to certain charges for deliveries of federal power over the UMZ for purposes of fulfilling Western’s statutory obligations and related changes to Schedule 11;</td>
</tr>
<tr>
<td>(3) Western is excluded from FERC Assessment costs in Schedule 12; and</td>
</tr>
<tr>
<td>(4) “Federal law” is added to pertinent references to state law obligations.</td>
</tr>
</tbody>
</table>
### Changes to SPP OATT

<table>
<thead>
<tr>
<th>Area of Change</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Definitions</td>
<td>Modify “Base Plan Upgrades” to mark the “bright line” and specify certain Basin facilities as “Base Plan Upgrades” (facilities listed in Attachment J Appendix 1)</td>
</tr>
<tr>
<td>Definitions</td>
<td>Define “Eastern Interconnection”</td>
</tr>
<tr>
<td>Definitions</td>
<td>Define distinction between “Federal Power-Southwestern” and “Federal Power-Western-UGP”</td>
</tr>
<tr>
<td>Definitions</td>
<td>Define “Federal Power Marketing Agency”</td>
</tr>
<tr>
<td>Definitions</td>
<td>Define “Federal Service Exemption”</td>
</tr>
<tr>
<td>Definitions</td>
<td>Definition of “GFA” expanded to include contracts executed prior to transferring control of facilities to SPP</td>
</tr>
<tr>
<td>Definitions</td>
<td>Define “Statutory Load Obligations”</td>
</tr>
<tr>
<td>Definitions</td>
<td>Define “Upper Missouri Zone”</td>
</tr>
<tr>
<td>Definitions</td>
<td>Define “Western –UGP”</td>
</tr>
</tbody>
</table>

### Changes to SPP OATT (Cont.)

<table>
<thead>
<tr>
<th>Area of Change</th>
<th>Description of Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>III. Network Integration Transmission Service (Preamble)</td>
<td>Language added to state that NITS will be “coordinated with the Federal Service Exemption to allow Western-UGP to provide service”… “in accordance with its Statutory Load Obligations”.</td>
</tr>
<tr>
<td>IV. Special Rules on Use of the Tariff; 39.1</td>
<td>Clarify “Non-Public Utility” includes a FPMA and delete references to “public power”</td>
</tr>
<tr>
<td>IV. 39.3 (a)-(c)</td>
<td>Replace “Western” with “Western-UGP”</td>
</tr>
<tr>
<td>IV. 39.3 (d)</td>
<td>Insert language describing “Western-UGP Co-supply Arrangement”</td>
</tr>
<tr>
<td>IV. 39.3 (e)</td>
<td>Insert language describing “Western-UGP Federal Service Exemption”</td>
</tr>
<tr>
<td>IV. 39.3 (f) – (g)</td>
<td>Insert language describing “Federal Projects” and “Designated Resources”</td>
</tr>
<tr>
<td>IV. 39.3 (h)</td>
<td>Insert language describing various natural resource laws Western-UGP must comply with</td>
</tr>
</tbody>
</table>
### Changes to SPP OATT (Cont.)

<table>
<thead>
<tr>
<th>Area of Change</th>
<th>Description of Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>IV. Special Rules on Use of the Tariff (cont.); 39.3 (i), (j), (k), and (l)</td>
<td>Insert language describing “Advance Funding”, “No Expansion of Jurisdiction, Waiver of Defenses, Liability for Penalties, or Inconsistent Obligations”, “Liability”, and “Western-UGP Rate Review” that are required to address WAPA-UGP specific issues as a FPMA.</td>
</tr>
<tr>
<td>Schedule 7 LT and ST Firm Point to Point Service</td>
<td>Insert “Zone 19: Upper Missouri Zone” under 1. Zonal Rates</td>
</tr>
<tr>
<td>Schedule 8 Non-Firm Point to Point Service</td>
<td>Insert “Zone 19: Upper Missouri Zone” under 1. Zonal Rates</td>
</tr>
<tr>
<td>Schedule 9 NITS</td>
<td>Insert “Zone 19: Upper Missouri Zone” under 1. Zonal Rates</td>
</tr>
<tr>
<td>Schedule 11 Base Plan Charge and Region-wide Charge; I. Introduction</td>
<td>Insert language to describe the Federal Service Exemption for the Western-UGP for service within Zone 19</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Area of Change</th>
<th>Description of Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schedule 12 FERC Assessment Charge; 2. Applicability</td>
<td>Insert language to describe the Federal Service Exemption for the Western-UGP for the FERC Assessment Charge with regard to Pt-Pt and NITS</td>
</tr>
<tr>
<td>Attachment G Network Operating Agreement; Section 15 - Assignment</td>
<td>Insert clarification regarding FPMA</td>
</tr>
<tr>
<td>Attachment H ATRR for NITS; Section I 1. and 2.</td>
<td>Insert language regarding cost recovery under the “Bright Line” date.</td>
</tr>
<tr>
<td>Attachment J Recovery of Costs Associated with New Facilities; Section III A. 2.</td>
<td>Insert language regarding Basin and cost recovery</td>
</tr>
<tr>
<td>Attachment J Recovery of Costs Associated with New Facilities; Section V A.</td>
<td>Insert language to describe that Sponsored Upgrades built by a FPMA is only funded through a lump sum payment.</td>
</tr>
</tbody>
</table>
## Changes to SPP OATT (Cont.)

<table>
<thead>
<tr>
<th>Area of Change</th>
<th>Description of Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attachment L Treatment of Revenues; Section II B. 2. (f)</td>
<td>Insert clarification regarding SPP distribution of revenues for service outside a Network Customer’s system.</td>
</tr>
<tr>
<td>Attachment M Loss Compensation Procedure; Section II</td>
<td>Insert language that Western-UGP losses will be settled in accordance with the Federal Service Exemption. Also included Zone 19 to Appendix 1</td>
</tr>
<tr>
<td>Attachment T Rate Sheets for Point to Point Transmission Service</td>
<td>Insert language for rates for point-to-point service (firm and non-firm) for members of the Upper Missouri Zone</td>
</tr>
</tbody>
</table>

---

**FEDERAL SERVICE EXEMPTION**
Western-UGP Federal Service Exemption

- Federal Statutes govern the functions and limitations of Western-UGP
  - Other Federal law as applicable, and specifically Western-UGP’s ability to join an RTO consistent with section 1232 of the Energy Policy Act of 2005
  - Western has advised that consistent with its statutory obligations it cannot agree to: (1) involuntary cost allocation for third-party transmission facilities, which includes SPP’s cost allocation share under its tariff and (2) Western’s rates are subject to a different standard of review pursuant to the delegation of authority from the Department of Energy to FERC.

- Joining SPP is based on the fixed nature of the generation resources committed to the preference customers of Western-UGP as well as the sufficiency of existing transmission Western-UGP built to meet its requirements.

- Any Western-UGP power marketing activity beyond federal resources to federal load will be subject to full SPP transmission service charges.

Application of Rate Schedules and FSE

<table>
<thead>
<tr>
<th>Type of Customer</th>
<th>Schedules</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1(a)</td>
</tr>
<tr>
<td>IOU</td>
<td>Yes</td>
</tr>
<tr>
<td>IPP</td>
<td>Yes</td>
</tr>
<tr>
<td>COOP</td>
<td>Yes</td>
</tr>
<tr>
<td>Marketers</td>
<td>Yes</td>
</tr>
<tr>
<td>Municipals</td>
<td>Yes</td>
</tr>
<tr>
<td>ITCs</td>
<td>Yes</td>
</tr>
<tr>
<td>State Agencies</td>
<td>Yes</td>
</tr>
<tr>
<td>IS Owners</td>
<td></td>
</tr>
<tr>
<td>Basin</td>
<td>Yes</td>
</tr>
<tr>
<td>Heartland</td>
<td>Yes</td>
</tr>
<tr>
<td>WAPA*</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*WAPA exemption from schedule 11 (regional portion) and schedule 12 only for FSE to serve Federal load with Federal resources.
Attachment J Provision

• Attachment J (at III.A.2. b)) is modified to include:
  “If the Base Plan Upgrade .... b) is deemed to be an initial Base Plan Upgrade of Basin Electric Power Cooperative and included in Appendix 1 to Attachment J;”

• This reflects that the costs of the Basin facilities listed in Appendix 1, which have a need by date after October 2015, will be recovered under the Highway/Byway.

Why are only Basin Projects Considered?

• Western – UGP
  – No new resources
  – No new “load” obligations
  – Transmission in place is only transmission charges allowed for preference customers

• Heartland
  – No new transmission needed in near future

• Basin
  – All transmission expansion needed for and constructed by Basin
SPP-RSC

REGIONAL STATE COMMITTEE (RSC) TOPICS

IMPACTS ON HIGHWAY/BYWAY COST ALLOCATION & OTHER COST
**IS and SPP Investment with Regional Recovery**

<table>
<thead>
<tr>
<th>Regionalized Investment Type</th>
<th>Investment ($ Millions)</th>
<th>% of Total Investment</th>
<th>% Total Investment Summed to Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>IS Highway</td>
<td>$320</td>
<td>10%</td>
<td>13%</td>
</tr>
<tr>
<td>IS Byway</td>
<td>$97</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>SPP Highway</td>
<td>$906</td>
<td>29%</td>
<td>87%</td>
</tr>
<tr>
<td>SPP Byway</td>
<td>$1,769</td>
<td>57%</td>
<td></td>
</tr>
</tbody>
</table>
Transmission Project Cost Sharing

- Only SPP and IS Projects with a need-by date after the Oct 15, 2015 Join Date are considered.
- All projects have a 2.5% construction inflation applied to costs (from a 2013 base estimate year).
- All project costs are forecasted over a 40 year life (2.5% annual depreciation).

<table>
<thead>
<tr>
<th>IS Joins SPP: After Brightline Investments</th>
<th>Investment ($ Millions)</th>
<th>% Investment After Oct, 2015 Join Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>IS</td>
<td>$417</td>
<td>13%</td>
</tr>
<tr>
<td>SPP</td>
<td>$2,877</td>
<td>87%</td>
</tr>
<tr>
<td>Combined Total</td>
<td>$3,294</td>
<td>100%</td>
</tr>
</tbody>
</table>

Transmission Cost Impact

2015 - 2024 Transmission Cost

*Present Values*
SPP ADMINISTRATIVE FEE ANALYSIS

SPP’s Administration Rate

- SPP Provided a Forecast of SPP’s Net Revenue Requirements by Year recovered through the Admin. Fee (Sch. 1-A)
- The Annual Fee was Allocated in the Study based on Fixed Ratios between the IS and SPP
- WAPA loads were *included* in the portion of Admin. Fees allocated to the IS

<table>
<thead>
<tr>
<th>Zone</th>
<th>2016 Ave Loads w WBH</th>
<th>2016 Sch 1-A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current SPP Members</td>
<td>38,170</td>
<td>87.89%</td>
</tr>
<tr>
<td>IS Prospective Members</td>
<td>5,261</td>
<td>12.11%</td>
</tr>
<tr>
<td>Total</td>
<td>43,431</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
Admin Fee Impact

Schedule 1A 2015-2024 Present Value

<table>
<thead>
<tr>
<th>Present Values</th>
<th>W/O Integration</th>
<th>With Integration</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>$75,000,000</td>
<td>43.2 Cents</td>
<td>37.9 Cents</td>
<td></td>
</tr>
</tbody>
</table>

*Does not account for grandfathered agreements

2016 Admin Fee Rate Impact

W/O Integration

43.2 Cents

With Integration

37.9 Cents

*Does not account for grandfathered agreements
Combined Admin Fee & Transmission Cost
Combined Impact Sch 1A & 11 2015-2024

Net benefit for each SPP TO

Change in Sch 11  Change in Sch 1A  Savings

QUANTIFIED BENEFITS AND COST TO SPP MEMBERS
## Effect of IS Joining SPP

(Thousands of $)

<table>
<thead>
<tr>
<th>Metric</th>
<th>10 Year Total</th>
<th>NPV @ 8%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schedule 1-A</td>
<td>$179,908</td>
<td>$115,902</td>
</tr>
<tr>
<td>Schedule 1, 7 &amp; 8</td>
<td>($50,830)</td>
<td>($34,107)</td>
</tr>
<tr>
<td>Schedule 11</td>
<td>($125,002)</td>
<td>($85,435)</td>
</tr>
<tr>
<td>Reserve Sharing Benefits</td>
<td>$34,380</td>
<td>$23,069</td>
</tr>
<tr>
<td>Integrated Marketplace Benefits</td>
<td>$272,375</td>
<td>$187,408</td>
</tr>
<tr>
<td><strong>Net over 10 Years</strong></td>
<td>$310,831</td>
<td>$206,837</td>
</tr>
</tbody>
</table>

---

**CLOSER LOOK AT ADMIN FEE AND TRANSMISSION COSTS**
### Effect of IS Joining SPP on Costs over 10 Yrs after Proposed 2015 Join Date

(Net Present Value in Thousands of $, Discounted at 8%)

<table>
<thead>
<tr>
<th>SPP Schedules</th>
<th>Current SPP Members</th>
<th>Proposed IS Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Plan Funded IS and SPP Projects (Sch. 11)</td>
<td>$85,435</td>
<td>$(85,435)</td>
</tr>
<tr>
<td>Point to Point Costs (Sch. 1, 7 &amp; 8)</td>
<td>$34,107</td>
<td>$(34,107)</td>
</tr>
<tr>
<td>SPP Admin. Fee (Sch. 1-A)</td>
<td>$(115,902)</td>
<td>$115,902</td>
</tr>
<tr>
<td>Net over 10 Years</td>
<td>$3,641</td>
<td>$(3,641)</td>
</tr>
</tbody>
</table>

Note 1: from a Cost perspective. Positive Value is an Increase in Costs. 1/14/2014

### Effect of IS Joining SPP on Costs over 10 Yrs after Proposed 2015 Join Date

(Thousands of $, Not Adjusted to Present Values)

<table>
<thead>
<tr>
<th>SPP Schedules</th>
<th>Current SPP Members</th>
<th>Proposed IS Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Plan Funded IS and SPP Projects (Sch. 11)</td>
<td>$125,002</td>
<td>$(125,002)</td>
</tr>
<tr>
<td>Point to Point Costs (Sch. 1, 7 &amp; 8)</td>
<td>$50,830</td>
<td>$(50,830)</td>
</tr>
<tr>
<td>SPP Admin. Fee (Sch. 1-A)</td>
<td>$(179,908)</td>
<td>$179,908</td>
</tr>
<tr>
<td>Net over 10 Years</td>
<td>$(4,076)</td>
<td>$4,076</td>
</tr>
</tbody>
</table>

Note 1: from a Cost perspective. Positive Value is an Increase in Costs. 1/14/2014
RSC MEMBERSHIP

RSC Bylaws

• When the Nebraska entities joined SPP, at the April 2009 meeting, the RSC bylaws were changed to state (reflected in red and underlined):

Membership shall be open to all official governmental entities that:

(a) Regulate the retail electricity or distribution rates or approve retail service areas of transmission-owning members or transmission-dependent utility members of the SPP; or

(b) Are the primary regulatory agency responsible for siting electric transmission facilities in states where there are transmission-owning members of the SPP or independent transmission companies that own or operate transmission facilities associated with the SPP.
States Analyzed

- Iowa
- Minnesota
- Montana
- North Dakota
- South Dakota
- Wyoming

Ratemaking and Approval of Retail Service Territory

- No state commission has authority over Western, Basin, or Heartland over ratemaking or service area determination
- State commission authority over transmission siting varies.
State Ratemaking or Approval of Retail Service Areas

<table>
<thead>
<tr>
<th>IS Owner</th>
<th>Ratemaking</th>
<th>Retail Service Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basin Electric Coop</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Heartland Consumers Power District</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Western Area Power Administration</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Analysis of State Siting Authority

- No state has sitting authority over WAPA
- The SD PUC has sitting authority over Heartland Consumers Power District
State Siting Authority Over Basin

<table>
<thead>
<tr>
<th>State</th>
<th>Siting Authority</th>
<th>Basin Owned Facilities Under the SPP OATT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iowa UB</td>
<td>Authority over “any person authorized to transact business in the state” and covers transmission lines 69 kV and greater</td>
<td>A single 69kV line; .57 mi.; 50% ownership</td>
</tr>
<tr>
<td>Minnesota PUC</td>
<td>Authority for all transmission facilities that are: i) over 230 kV or ii) over 100 kV and 10 miles in length or iii) crosses a state line</td>
<td>None</td>
</tr>
<tr>
<td>Montana PSC</td>
<td>No siting authority over IS owners. Montana EPA has siting authority.</td>
<td>A single 115 kV line, no siting obtained by Basin</td>
</tr>
<tr>
<td>North Dakota PSC</td>
<td>Authority over facilities that exceed 115kV</td>
<td>Numerous Facilities</td>
</tr>
<tr>
<td>South Dakota PUC</td>
<td>Authority over a person engaged in transmission of energy for facilities that are over 115 kV</td>
<td>Numerous Facilities</td>
</tr>
<tr>
<td>Wyoming PSC</td>
<td>No siting authority over IS owners. Separate Industrial Siting Council has authority over industrial facilities costing at least $96,900,000.</td>
<td>2 lines, 42.2% ownership, no retail customers, LES has ownership share as well</td>
</tr>
</tbody>
</table>

Bylaw Change for Consideration

Current language:

Membership shall be open to all official governmental entities that:

(a) Regulate the retail electricity or distribution rates or approve retail service areas of transmission-owning members or transmission-dependent utility members of the SPP; or

(b) Are the primary regulatory agency responsible for siting electric transmission facilities in states where there are transmission-owning members of the SPP or independent transmission companies that own or operate transmission facilities associated with the SPP.
Bylaw Change for Consideration (Cont.)

Proposed language:

Membership shall be open to all official governmental entities that:

.....

(b) Are the Primary Regulatory Agency responsible for siting electric transmission facilities in states where there are transmission-owning members of the SPP or independent transmission companies that own or operate transmission facilities under the SPP tariff associated with the SPP. “Primary Regulatory Agency” is the agency that has exercised authority over facilities placed under the SPP OATT that are greater than 100 kV and where the majority of the facilities are owned by an SPP Member.

QUESTIONS???
Integrated System (IS) Introduction and Process

February 24, 2014

Overview of Presentation

(1) Overview of the IS Members
(2) Overview of IS
(3) SPP Process
    - Study of IS System
(4) Timeline/Next Steps
    - SPP Members
Basin Electric

- Basin Electric Power Cooperative (Basin Electric) is one of the largest electric generation and transmission (G&T) cooperatives in the United States. They are the parent company of eight subsidiaries.
- A not-for-profit generation and transmission cooperative incorporated in 1961 to provide supplemental power to a consortium of rural electric cooperatives.
- Diverse energy portfolio: coal, gas, oil, nuclear, distributed, and renewable energy, including wind power.
- Consumer owned by 137 member cooperative systems.
- Members’ service territories comprise 540,000 square miles in nine states.
- By end of year 2013 Basin Electric will operate 4,824 megawatts (MW) of wholesale electric generating capacity and have 5,289.2 MW of capacity within its generation portfolio.
- Owns 2,165 miles and maintains 2,250 miles of high-voltage transmission, and owns and maintains equipment in 70 switchyards and 149 telecommunication sites.
- Serves 2.8 million electric consumers.
Basin Electric Power Cooperative

- Consumer owned by 137 Member Cooperatives
- 11 Districts in 9 states
- Service Territories Comprise 540,000 square miles
- Serves 2.8 million electric consumers
- 5,289 MW of capacity within its generation portfolio
- 2,000 employees
- 8 subsidiaries

Generation Portfolio

- Coal
- Nuclear
- Renewable Power
- Oil, Diesel, Jet Fuel
- Natural Gas
- Hydropower
Transmission Systems
Heartland Background

- Non-profit public power district headquartered in Madison, South Dakota
  - Staff of 12
- Public corporation and political subdivision of the State of South Dakota
  - Formed in 1969 under South Dakota’s Consumers Power District statutes – Title 49, Chapters 35-40
  - Similar in structure to Nebraska public power entities
- Wholesale power supplier to 29 municipal system in SD, MN and IA, five South Dakota state institutions and one cooperative – mostly supplemental to WAPA
- Minority owner of the Integrated System
- Most assets jointly owned with other public entities
Heartland Customers and Resources

- 35 Customers (140 MW, 900 GWh)

**Primary Resources**
- Laramie River Station Unit 1
- Whelan Energy Center Unit 2
- Wessington Springs Wind Energy Center

Heartland’s Governance

- Powers of the district are vested in the Board of Directors
  - Ultimate decision-making authority
  - Not state PUC or FERC jurisdictional
- Board of Directors
  - 10 directors from subdivisions in eastern South Dakota
  - Elected during general elections
  - Six-year staggered terms
  - Non-partisan positions
Where We Get The Power
Western-UGP

Congressionally Authorized
Project Purposes:
• Flood Control
• Navigation
• Irrigation
• M&I Water Supply
• Hydropower
• Recreation
• Fish & Wildlife (includes endangered species)

Western-UGP Stats:

• 378,000 square miles of service area
• 118 substations and 7,920 miles of transmission lines (Federal owned)
• 360+ power and transmission customers
• 2,675 MW installed capability (2 BOR, 6 COE facilities)
• Approx. 10,000 Gwh’s of energy produced in median year.
• Operate 2 Balancing Authorities (East and West systems)
OVERVIEW OF THE IS

Integrated System Members

Western Area Power Administration
Basin Electric Power Cooperative
Heartland Consumers Power District

*The power of forward thinking*
History

• 1963 – Missouri Basin Systems Group Pooling Agreement signed,
  – The Joint Transmission System (JTS) created
• 1998 – JTS was modified to become the Integrated System providing service under Western’s OATT
• 1995-2010 – Western and other IS transmission owners transmission facilities were a part of the Mid-Continent Area Power Pool (MAPP) Schedule F tariff for short-term point-to-point service

Basin / Western / Heartland Integrated System (IS)
SPP PROCESS

SPP and the Integrated System
SPP Process

1) SPP Staff/TWG evaluation of IS system *(Complete)*

2) Sharing of SPP’s staff evaluation with Stakeholders of cost and benefits of the IS joining SPP *(In Process)*
   - Evaluation of cost/benefits including transmission expansion, SPP admin fee, transmission service revenue, reserve sharing, and market impacts

3) Tariff revisions – RTWG, MOPC, BOD/MC *(In Process)*

4) Membership Agreement/Bylaw Changes – CGC *(Submitted to CGC)*

5) RSC Discussion *(In Process)*
   - Potential for new RSC membership

6) Changes filed with and approval by FERC – *(TBD)*

SPP STAFF - TWG STUDY
WAPA/ Basin/ Heartland Transmission Integration Study

February 24, 2014

David Kelley
Director, Interregional Relations
dkelley@spp.org | 501-688-1671

Purpose

Perform an evaluation of the Western/ Basin/ Heartland Integrated System (IS) transmission system in the event a decision was made to join the SPP RTO.

There were two main objectives of the Integration Study:

• Evaluate the IS transmission system to determine whether it satisfies SPP’s Planning Criteria and NERC TPL Standards
• Identify the SPP “need-by” dates of the transmission projects provided by the IS in relation to the assumed October 2015 integration date
System Studies for SPP integration

<table>
<thead>
<tr>
<th>Potential Integrating Member</th>
<th>Study Performed</th>
<th>Resulting Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Omaha Public Power District (OPPD), Lincoln Electric System (LES), and Nebraska Public Power (NPPD)</td>
<td>Transmission System Study was performed in 2009</td>
<td>Joined SPP in 2008</td>
</tr>
<tr>
<td>Entergy</td>
<td>Transmission System Study was performed in XXXXX</td>
<td>Joined MISO December 2013</td>
</tr>
<tr>
<td>Western Area Power Agency (WAPA), Basin Electric, and Heartland</td>
<td>Transmission System Study was performed in 2013</td>
<td>Planned join date of October 2013</td>
</tr>
</tbody>
</table>

Stakeholder Involvement

- Seams Steering Committee (SSC) reviewed the study scope on September 5, 2013
- Transmission Working Group (TWG) reviewed the study scope on September 18, 2013
- Preliminary draft study report sent to TWG on September 30, 2013
- TWG reviewed final draft study report on October 23, 2013
  - TWG endorsed the study as having been conducted in accordance with SPP’s planning criteria
- Western/Basin/Heartland (IS) provided input and information as needed throughout the process
**Study Process and Methodology**

SPP started with 2014, 2015 and 2019 ITPNT models for the study

- 2014 winter peak, 2015 summer and winter peak, 2019 light-load, summer and winter peak

**Data Inputs**

- Non-contingency (base case), N-1, and select Category C contingency analysis was performed on the IS transmission system
  - Facilities in the IS 69kV and above were monitored for potential violations of SPP Criteria and NERC TPL standards
- IS provided mitigations and/or operating guides for the potential violations identified
October 2015
Assumed Brightline

Costs Allocated under IS System

- Substation in Rapid City DC tie property – 230/115kV Dry Creek, with 200 MVA transformer and Rapid City- Dry Creek 115 kV line (4/1/2014)
- Ordway 1x20 MVAr 115 kV Capacitor (12/1/2014)
- Logan – SW Minot reconductor (12/1/2014)
- Replace Spencer KY1A, KY1B, Volt Reg with one 161/69 kV 150 MVA LTC Transformer (12/1/2014)

Cost Allocated under SPP’s Highway/Byway

- Phase I (12/1/2017)
  - AVS Switchyard, 345 kV
  - AVS to Charlie Creek 2, 345 kV Line
  - Charlie Creek Sub, 345 kV
- Phase II (12/1/2017)
  - Charlie Creek Sub to Indian Hills to Judson, 345 kV line
  - Judson Sub to Williston Sub, 230 kV
  - Judson Sub, 345/230 kV
- Phase III (Post 2019)
  - Gumbo Creek Sub, 345/115 kV
  - Gumbo Creek to Blue Butte to Indian Hill, 345 kV line
  - Blue Butte & Indian Hill Sub’s, 345/115 kV
- Phase IV (12/1/2017)
  - Judson Sub to Tande Sub 345 kV line
  - Tande Sub to Neset Sub 230 kV line
  - Tande Sub 345/230 kV
  - Neset Sub 230 kV
- Lower Brule 230 kV line & associated substation work (12/1/2016)
Conclusion

• 24 potential reliability issues were identified
• 9 projects currently planned by the IS to address category A or B issues
  – 4 are needed before the assumed integration date
  – 4 are needed after the assumed integration date
  – 1 was not identified as needed within the scope of the study
OVERVIEW OF THE INTERCONNECTION BETWEEN SPP AND THE IS SYSTEM
All US ties from EI to ERCOT and WI via the SPP/IS System
## Integration Comparison

<table>
<thead>
<tr>
<th></th>
<th>IS to SPP</th>
<th>MISO South to MISO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Load Additions (MW)</strong></td>
<td>4000^</td>
<td>23000^</td>
</tr>
<tr>
<td><strong>Number of Transmission Ties</strong></td>
<td>11*</td>
<td>1</td>
</tr>
<tr>
<td><strong>Transmission Tie Capacity (MW)</strong></td>
<td>3,000MW</td>
<td>1,000MW</td>
</tr>
<tr>
<td><strong>Current + Addition + New Total Load (MW)</strong></td>
<td>51,000 + 4,000 = 55,000^</td>
<td>99,000+ 23,000 = 122,000^</td>
</tr>
</tbody>
</table>

^Annual peaks rounded to the nearest 1,000 MW

*10 existing ties with 1 new tie to go in-service in 2018

---

### SPP COST/BENEFIT ANALYSIS
TRANSMISSION COST ALLOCATION ANALYSIS

IS and SPP Investment with Regional Recovery

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- Only SPP and IS Projects with a need-by date after the Oct 15, 2015 Join Date are considered
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<table>
<thead>
<tr>
<th>IS Joins SPP: After Brightline Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Party</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>IS</td>
</tr>
<tr>
<td>SPP</td>
</tr>
<tr>
<td>Combined Total</td>
</tr>
</tbody>
</table>
Transmission Cost Impact
2015 - 2024 Transmission Cost

Transmission Cost Impact

ADMIN FEE ANALYSIS
SPP’s Administration Rate

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**SPP Inc Admin Fee, Sch 1-A**

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<tr>
<th>Zone</th>
<th>2016 Ave Loads w WBH</th>
<th>2016 Sch 1-A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current SPP Members</td>
<td>38,170</td>
<td>87.89%</td>
</tr>
<tr>
<td>IS Prospective Members</td>
<td>5,261</td>
<td>12.11%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43,431</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

**Admin Fee Impact**

Schedule 1A 2015-2024 Present Value

*Does not account for grandfathered agreements

*Present Values
2016 Admin Fee Rate Impact

<table>
<thead>
<tr>
<th>W/O Integration</th>
<th>With Integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>43.2 Cents</td>
<td>37.9 Cents</td>
</tr>
</tbody>
</table>

*Does not account for grandfathered agreements

Combined Admin Fee & Transmission Cost

Combined Impact Sch 1A & 11 2015-2024

Net benefit for each SPP TO

Change in Sch 11  Change in Sch 1A  Savings
## QUANTIFIED BENEFITS AND COST TO SPP MEMBERS

<table>
<thead>
<tr>
<th>Metric</th>
<th>10 Year Total</th>
<th>NPV @ 8%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schedule 1-A</td>
<td>$179,908</td>
<td>$115,902</td>
</tr>
<tr>
<td>Schedule 1, 7 &amp; 8</td>
<td>($50,830)</td>
<td>($34,107)</td>
</tr>
<tr>
<td>Schedule 11</td>
<td>($125,002)</td>
<td>($85,435)</td>
</tr>
<tr>
<td>Reserve Sharing Benefits</td>
<td>$34,380</td>
<td>$23,069</td>
</tr>
<tr>
<td>Integrated Marketplace Benefits</td>
<td>$272,375</td>
<td>$187,408</td>
</tr>
<tr>
<td><strong>Net over 10 Years</strong></td>
<td><strong>$310,831</strong></td>
<td><strong>$206,837</strong></td>
</tr>
</tbody>
</table>
NON QUANTIFIED BENEFITS

Generation Diversity

Increase in low cost Hydro Generation

<table>
<thead>
<tr>
<th>Generation Type</th>
<th>W/O Integration</th>
<th>With Integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined Cycle</td>
<td>13.0%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Hydro</td>
<td>3.5%</td>
<td>6.1%</td>
</tr>
<tr>
<td>CT Gas</td>
<td>14.2%</td>
<td>14.0%</td>
</tr>
<tr>
<td>CT Oil</td>
<td>1.5%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Nuclear</td>
<td>1.5%</td>
<td>3.6%</td>
</tr>
<tr>
<td>ST Coal</td>
<td>36.7%</td>
<td>39.9%</td>
</tr>
<tr>
<td>ST Gas</td>
<td>16.7%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Renewable</td>
<td>10.2%</td>
<td>10.5%</td>
</tr>
</tbody>
</table>
Other Benefits

• Ancillary services
  – Western’s quick control hydro
• Rate depancaking
• Market savings
• Reduced cost of doing business with the IS
• Enhanced grid reliability
**TIMELINE/NEXT STEPS**

**Timeline/Next Steps**

- **2014 January – April**: SPP Stakeholder Approval of tariff, bylaw, and Membership Agreement Changes
- **2014 June – July**: IS approval and execution of SPP Membership Agreement
- **2014 July – October**: File any tariff, bylaw, and Membership Agreement Changes at FERC for Approval
- **2014-2015 July – October**: Begin Integration of IS into SPP
- **2015 October**: Complete Integration of IS (October 2015)
# SPP Member Process

<table>
<thead>
<tr>
<th>Area</th>
<th>Steps 1</th>
<th>Step 2</th>
<th>Step 3</th>
<th>Final Approval</th>
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</thead>
<tbody>
<tr>
<td>SPP Membership Agreement Changes</td>
<td>Corporate Governance</td>
<td>MOPC (April 2014)</td>
<td>SPP BOD/MC (April 2014)</td>
<td>FERC</td>
</tr>
<tr>
<td>SPP Bylaws Changes</td>
<td>Corporate Governance</td>
<td>MOPC (April 2014)</td>
<td>SPP BOD/MC (April 2014)</td>
<td>FERC</td>
</tr>
<tr>
<td>Tariff Revisions</td>
<td>RTWG (other applicable groups)</td>
<td>MOPC (April 2014)</td>
<td>SPP BOD/MC (April 2014)</td>
<td>FERC</td>
</tr>
</tbody>
</table>

# QUESTIONS
Member Workshop on Integrated System (IS) 2/24/2014

Carl A. Monroe
EXEC VP & COO

Review of Bylaws Change Areas

• Add Cooperative Member to Members Committee
• Add Federal Member to Members Committee
• Add Federal Member to Corporate Governance Committee
• Limitations on Financial and Penalty Obligations for Western-UGP
• Add Membership and Western-UGP approval for Limitations on Financial and Penalty Obligations for Western-UGP
Review of Membership Agreement Change Areas

- Add Federal Law to State Law References
- Add Administrator to jurisdictional authorities
- Add Federal Statues to govern rates for Western-UGP
- Add rate review standard change for Western-UGP
- Waive deposit for Western-UGP and costs as incurred and billed.
- IS parties linked in withdrawal provisions
- Requires approvals of Service Agreements and Bylaws with acceptance of Membership Agreement
- Requires Member approval to reassign

Membership Agreement Appendix Additions

- Western- UGP
  - Subject to Acts of Congress
  - Federal Service Exemptions (FSE) – covered later
  - Compliance requirements for EPACT 2005 Section 1232 for PMA to join an RTO
  - Contingent on Appropriations
  - Employment Practices
  - Federal Project relationship

- No Expansion of Jurisdiction
- Compliance with NEPA
- Net Billing
- Bill Crediting
- Termination of Agreement

- Basin & Heartland
  - Withdrawal linked to Western-UGP
Review of Tariff Change Areas

- Zone 19 – Upper Missouri Zone (UMZ)
- Western-UGP Federal Service Exemption (FSE)
- Base Plan Funding – Entry
- Grandfathered Agreements
- Public Power to Non-Public Utility
- Network Service Thru/Out Revenue Distribution
- Network Service Agreement

Zone 19 - UMZ

- Includes transmission facilities of Basin Electric Power Cooperative (Basin), Western Area Power Administration – Upper Great Plains Region (Western-UGP), and Heartland Consumers Power District (Heartland)
- Includes facilities in East and West Interconnection
- Additional transmission owners are considering adding facilities within the zone
  - Facilities with credits under the Western tariff
  - Facilities that meet Attachment AI but not definition of transmission in IS
Zone 19 - UMZ

- Areas of change
  - Add definition of UMZ, Western-UGP
  - Add to Schedule 1, 7, 8, 9, 11
  - Attachment H, M

Western-UGP FSE

- Federal Statutes govern the functions and limitations of Western-UGP
  - Other Federal law as applicable, and specifically Western-UGP’s ability to join an RTO consistent with section 1232 of the Energy Policy Act of 2005
  - Western has advised that consistent with its statutory obligations it cannot agree to: (1) involuntary cost allocation for third-party transmission facilities, which includes SPP’s cost allocation share under its tariff and (2) Western’s rates are subject to a different standard of review pursuant to the delegation of authority from the Department of Energy to FERC.
- Joining SPP is based on the fixed nature of the generation resources committed to the preference customers of Western-UGP as well as the sufficiency of existing transmission Western-UGP built to meet its requirements.
Western-UGP FSE

- Exempt from:
  - Schedule 11 Regional Component of Transmission Cost Allocation
  - Congestion Costs/ARR/TCR
  - Marginal Losses/Overcollection Distribution
  - FERC’s Annual Assessment and Schedule 12
- Areas of change
  - Add definition: FSE
  - 40 – FSE for Schedule 11 Regional Rate
  - Schedules 7, 8, 9, 11, 12

Base Plan Funding – HW/BW

- Offered same as to Entergy
- All Facilities needed after October 1, 2015 would be in regional cost allocation for all SPP Customers including the new members.
- Areas of change
  - Definition of Base Plan Funding
  - List of Facilities that would be eligible after October 1, 2015 for regional cost allocation, until integrated into SPP Planning
  - Regional Cost Allocation Review
Grandfathered Agreements

• Considering which transmission agreements in place at October 1, 2015 to add.

• Areas of change
  – Definition of Grandfathered Agreements
  – Attachment W

Public Power to Non-Public Utility

• Area of change
  – 39.1 – Protections of Public Power extended to all Non-Public Utilities
Network Service Thru/Out Revenue Distribution

- Proposing a generic change to the revenue distribution if Network Service is provided thru and out of SPP.
- Change to distribute to zone exited, or shared with zones that are exited.
- Area of change
  - Attachment L

Network Service Agreements

- Split of NITS between Western-UGP and other co-supplier
- Unique to Western-UGP based on FSE
- Areas of change
  - Western-UGP retains all transmission usage rights
  - FSE
  - Western-UGP pays full UMZ rate excluding Schedule 11 Regional for their Federal Power deliveries to Preference Customers from Federal Resources
  - Service solely in Western Interconnection exempt from Schedule 11 Regional
Western Interconnection Facilities

• Considering including in SPP Tariff thru a Contract Agreement
• SPP provides only Tariff Administration and Planning
• Western-UGP is BA, Peak Reliability is RC
• No application of Integrated Marketplace
• Similar to Southwestern Power Administration

Areas No Changes anticipated

• Attachment O – Planning
  – Expected Order 1000 provisions would apply
  – ROFR for Western-UGP handled like SPP members
• Integrated Market
  • Attachment AE – FSE covered as Carve-Out of Grandfathered Agreements
Carl A. Monroe
EVP & COO
501-614-3218
cmonroe@spp.org
Southwest Power Pool
REGIONAL STATE COMMITTEE
BYLAWS

April 27, 2009
ARTICLE I

1. NAME: The organization shall be known as the Southwest Power Pool Regional State Committee (“SPP RSC”). The principal office of the SPP RSC shall be at such location, within the United States, as the SPP RSC Board of Directors shall from time to time establish. The SPP RSC may also maintain such branch offices and places of business as the SPP RSC Board of Directors may deem necessary or appropriate in the conduct of its business.

2. PURPOSE: The SPP RSC shall provide collective state regulatory agency input and participation in the Southwest Power Pool, Inc. (“SPP”) and SPP’s Board of Directors, committees, working groups and task forces, including any independent transmission system operator (“ISO”) or regional transmission organization (“RTO”) formed by the SPP. Such input and participation shall include but not be limited to: whether and to what extent participant funding will be used for transmission enhancements; whether license plate or postage stamp rates will be used for the regional access charge; determination of Financial Transmission Rights (“FTR”) allocations where a locational price methodology is used; determination of the transition mechanism to be used to assure that existing firm customers receive FTRs equivalent to the customers’ existing firm rights; determination of the approach for resource adequacy across the entire region; determination of whether transmission upgrades for remote resources will be included in the regional transmission planning process; and determination of the role of transmission owners in proposing transmission upgrades in the regional planning process.

3. Nothing in the formation or operation of the SPP RSC as a FERC recognized regional state committee is in any way intended to diminish existing state regulatory jurisdiction and authority. Each state regulatory agency expressly reserves the right to exercise all lawful means available to protect its existing jurisdiction and authority.

ARTICLE II – MEMBERSHIP

1. MEMBERSHIP: Membership shall be open to all official governmental entities that:

   (a) Regulate the retail electricity or distribution rates or approve retail service areas of transmission-owning members or transmission-dependent utility members of the SPP; or

   (b) Are the primary regulatory agency responsible for siting electric transmission facilities in states where there are transmission-owning members of the SPP or independent transmission companies that own or operate transmission facilities associated with the SPP.

2. ASSOCIATE MEMBERSHIP: Associate membership shall be open to all official governmental agencies that:

   (a) Are involved with energy planning, and or environmental issues that relate to electric transmission; or
(b) Are involved with consumer advocacy issues that relate to electric transmission; or

(c) To all other entities that are approved by the SPP RSC Board of Directors for associate member status.

ARTICLE III – ANNUAL MEETING

The Annual Meeting of the SPP RSC (Annual Meeting) shall be held each year in conjunction with the fall meeting of the SPP Board of Directors, and/or at such time and place as may be determined by the SPP RSC Board of Directors. Notice of the time, place, and purpose of the meeting, shall be provided by mail or electronic means to each Member and Associate Member of the SPP RSC not less than fifteen (15) calendar days prior to the meeting, except that the agenda may be amended up to three (3) calendar days prior to the meeting in accordance with Article XI. At the Annual Meeting, all member regulatory agencies may have a seat and voice. The business of the Annual Meeting will be conducted by vote of the SPP RSC Board of Directors as provided for in these Bylaws.

ARTICLE IV – BOARD OF DIRECTORS

1. POWERS, RESPONSIBILITIES AND ACCOUNTABILITIES: The corporate business and affairs of the SPP RSC shall be managed by the SPP RSC Board of Directors, except as may be otherwise provided for in these Bylaws and/or the articles of incorporation (Articles of Incorporation) adopted by the SPP RSC Board of Directors.

2. COMPOSITION: Each member regulatory agency, as defined in Article II.1 of these Bylaws, may designate one Commissioner to serve on the SPP RSC Board of Directors. In the case of member state regulatory agencies organized without commissioners, an official of similar level may be designated. When any such person ceases to be the duly authorized representative of that Member, he or she shall be replaced on the SPP RSC Board of Directors by another representative from his or her state regulatory agency. A member state regulatory agency may replace its Director by notifying the Secretary of the SPP RSC by mail, facsimile transmission and/or electronic mail at least one business day in advance of any meeting of the SPP RSC Board of Directors.

3. RESPONSIBILITIES: The SPP RSC Board of Directors shall elect the officers of the SPP RSC and determine the general policies and direction of the SPP RSC. The SPP RSC Board of Directors may amend the Articles of Incorporation and Bylaws, take all other action requiring membership vote, and conduct other business as delineated in Article IX.

4. REGULAR MEETINGS: Regular meetings of the SPP RSC Board of Directors shall be held at such time and place as may be determined by the SPP RSC Board of Directors, except that the SPP RSC Board of Directors shall meet no less than one time each calendar year, in addition to the Annual Meeting. Notice of the time, place and purpose of the meeting(s) shall be provided by mail, facsimile transmission and/or electronic means to each Member and Associate Member of the SPP RSC
not less than seven (7) calendar days prior to the meeting, except that the agenda may be amended up to three (3) calendar days prior to the meeting in accordance with Article XI. Public notice shall also be given at the same time that it is given to each Member and Associate Member of the SPP RSC in accordance with Article XI.

5. SPECIAL MEETINGS: The President may call a special meeting(s) of the SPP RSC Board of Directors. Notice of the time, place and purpose of the meeting(s) shall be provided by mail, facsimile transmission and/or electronic means to each Member and Associate Member of the SPP RSC not less than three (3) calendar days prior to the meeting(s).

6. QUORUM: If a Director from each of a majority of the member state regulatory authorities is present (either in person, by authorized telephonic or electronic means, or by designated proxy), a quorum exists for the transaction of business at any meeting of the SPP RSC Board of Directors, but if less than such majority is present at a meeting, a majority of the members that are present may adjourn the meeting without further notice. The SPP RSC Directors present at a properly noticed meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum. A member state regulatory agency may allow a proxy from the same agency to participate as a substitute for its designated SPP RSC Director at a meeting(s) of the SPP RSC Board of Directors by notifying the Secretary of the SPP RSC as provided for in these Bylaws.

7. PROXY: A request of a member state regulatory agency for recognition by the SPP RSC Board of Directors of a proxy to participate in a meeting of the SPP RSC Board of Directors must be received by the Secretary of the SPP RSC at least one business day in advance of the meeting at which the proxy is to be exercised. Where prior written notice is not possible, the designating Director shall submit written confirmation of this proxy no later than ten (10) calendar days after the applicable Board meeting takes place. The person who is identified as exercising the proxy cannot be the person submitting the request for recognition of the proxy. Notices of proxies must be sent by mail, facsimile transmission and/or electronic mail to the Secretary of the SPP RSC and identify the date of the meeting of the SPP RSC Board of Directors for which the proxy is authorized and identify by name, and position at the member state regulatory agency, the person who is authorized to exercise the proxy. The Secretary of the SPP RSC must receive a new request for recognition of a proxy for each meeting of the SPP RSC Board of Directors at which the proxy will be sought to be recognized. The SPP RSC Board of Directors will not recognize, for more than one meeting at a time, a proxy request by a member state regulatory agency. The request for recognition of a proxy must not identify more than one person as being authorized to exercise the proxy.

8. VOTING PROCEDURES: Each SPP RSC Director present (either in person, by authorized telephonic or electronic means, or by representation of the member state regulatory agency by a properly designated proxy) shall be entitled to one equally weighted vote. However, if a state has more than one state regulatory agency that is a Member of the SPP RSC, voting rights shall be divided equally among the SPP RSC Directors from that state present and voting (equating to one total vote per
Elections shall be by ballot in contested elections and may be by voice or other means in uncontested elections. A plurality of votes cast shall elect. Changes in the Bylaws shall require a vote consistent with Article XII of this document. All other matters shall be determined by a majority of the SPP RSC Directors present and voting, unless otherwise provided by the laws of the state where the SPP RSC is incorporated or these Bylaws.

9. ELECTRONIC VOTING: The President has the option and authority to conduct an electronic vote on non-policy, administrative matters, such as approval of minutes or appointment of the annual SPP RSC auditor, or on policy matters that have been discussed during a prior RSC meeting.

10. POSITIONS ON POLICY ISSUES: The SPP RSC Board of Directors will give direction to formation of issue statements, which will then be referred to member state regulatory agencies. A position approved by a majority of the SPP RSC Board of Directors may be issued as the SPP RSC’s position with identification of the participating and non-participating member state regulatory agencies. Individual member state regulatory agencies retain all rights to object to, support, or otherwise comment on, issue statements of the SPP RSC, including the attachment of a minority report or dissenting opinion, provided it is submitted in a timely manner. The SPP RSC Board of Directors may authorize intervention in proceedings before federal regulatory agencies and in related judicial proceedings to express the SPP RSC’s positions, and may retain legal counsel to represent the SPP RSC in such proceedings. Consistent with Article I, § 3 above, each individual state regulatory agency shall also retain all rights to intervene in and/or comment on such federal regulatory agency proceedings and/or related judicial proceedings.

ARTICLE V - OFFICERS

1. NUMBER AND TITLE: The officers of the SPP RSC shall be the President, Vice-President, Secretary, and Treasurer.

2. ELECTION, TERM, VACANCIES: The President, Vice-president, Secretary, and Treasurer shall be elected by the SPP RSC Board of Directors for a term of one year, or until their successors are elected. Officers shall be elected at the Annual Meeting to take office on the first day of January following the Annual Meeting at which elections are held. The SPP RSC Board of Directors may fill a vacancy among the officers other than the President to serve until the next scheduled election. In the case of a permanent vacancy in the office of the President, the Vice-President will succeed until the next scheduled election. The terms of the officers elected in 2004 shall be deemed partial terms. In the event of a vacancy or temporary inability to serve, the duties of the Secretary or Treasurer may be fulfilled by a designee of the SPP RSC Board of Directors.

3. GEOGRAPHIC BALANCE: The officers elected shall be SPP RSC Directors from different states.

4. DUTIES: The duties of the officers shall be as follows:
(a) The PRESIDENT shall be the principal officer of the SPP RSC and shall preside at the Annual Meeting and all meetings of the SPP RSC Board of Directors, shall be responsible for seeing that the lines of direction given by the SPP RSC Board of Directors are carried into effect – including the representation and presentation of all SPP RSC majority positions and minority reports and dissenting opinions of the member state regulatory authorities, and shall have such other powers and perform such other duties as may be assigned by the SPP RSC Board of Directors; including but not limited to: serving as the SPP RSC’s non-voting representative at the meetings of the SPP’s Board of Directors, performing or delegating presentations/speeches on behalf of the SPP RSC, designating member state regulatory agency staff members proposed by the state regulatory agency to carry out daily functions and operations of the SPP RSC, assigning member state regulatory agency staff members proposed by the state regulatory agency to committees and work-groups created by the SPP RSC and requesting technical support from SPP as necessary. The President (or other officer serving as the RSC representative at meetings of the SPP Board of Directors) shall also be responsible for requesting recusal of a Director where a conflict of interest may arise and for clearly stating on all matters whether he/she is representing the position of the SPP RSC or solely his/her member state regulatory agency.

(b) In the temporary absence or disability of the President, the VICE-PRESIDENT shall preside at meetings of the SPP RSC Board of Directors and have such other powers and perform such other duties as performed by the President. The Vice-President shall also serve as the SPP RSC’s non-voting representative at the meetings of the SPP’s Board of Directors. He or she shall have such other powers and perform such other duties as performed by the President or as may be assigned by the SPP RSC Board of Directors.

(c) The SECRETARY shall be responsible for keeping a roll of the Members and seeing that notices of all meetings of the SPP RSC Board of Directors are issued and shall see that minutes of such meetings are kept. The Secretary shall be responsible for the custody of corporate books, records and files, shall exercise the powers and perform such other duties usually incident to the office of Secretary, and shall exercise such other powers and perform such other duties as may be assigned by the President or the SPP RSC Board of Directors.

(d) The TREASURER shall be responsible for monitoring the receipt and custody of all monies of the SPP RSC and for monitoring the disbursement thereof as authorized, for assuring that accurate accounts of monies received and disbursed are kept, for execution of contracts or other instruments authorized by the SPP RSC Board of Directors, and for overseeing the preparation and issuance of financial statements and reports. The Treasurer shall give a report of the SPP RSC’s finances at the Annual Meeting. The Treasurer shall be an ex officio member of the finance committee, if such a committee shall be established by the SPP RSC Board of Directors, shall exercise the powers and perform such other duties usually incident to the office of Treasurer, and shall perform such other duties as may be assigned by the President or SPP RSC Board of Directors.
5. REMOVAL: An officer of the SPP RSC may be removed with or without cause by written vote of two-thirds of the total membership of the SPP RSC Board of Directors.

ARTICLE VI – MEMBER STATE REGULATORY AGENCY STAFF MEMBER PARTICIPATION

Member state regulatory agency staff members shall participate at the discretion of their respective member state regulatory agency, including but not limited to: attendance at SPP RSC and SPP Board of Directors meetings in support of or in lieu of member state regulatory agency commissioners, attendance and active participation in assigned SPP committees, working groups and task forces (including providing summaries of meetings and reporting to the SPP RSC members and associate members), active representation of the majority positions and minority reports or dissenting opinions of the SPP RSC member state regulatory authorities, and attending and actively participating in assigned SPP RSC committees and work-groups created by the SPP RSC Board of Directors (including providing summaries of meetings and reporting to the SPP RSC members and associate members). Member state regulatory agency staff members must clearly indicate whether they are representing the SPP RSC or solely their member state regulatory agency.

ARTICLE VII - COMMITTEES

1. ESTABLISHED: The SPP RSC Board of Directors may establish SPP RSC committees and work-groups as it deems necessary and provide for their governance.

2. COMPOSITION AND APPOINTMENT: The President shall appoint members of the SPP RSC committees. Unless otherwise provided by the SPP RSC Board of Directors, a committee may elect its chair. Members and Associate Members may participate in the work of committees and work-groups that relate to matters within their jurisdiction.

ARTICLE VIII – MEMBERS AND ASSOCIATE MEMBERS NOT BOUND

No vote of, or resolution passed by, the SPP RSC Board of Directors has any binding effect upon any member state regulatory agency, or any associate member, in the exercise of that entity’s powers.

ARTICLE IX - FISCAL RESPONSIBILITIES OF THE SPP RSC BOARD OF DIRECTORS

1. FISCAL YEAR: The SPP RSC Board of Directors shall establish the fiscal year of the SPP RSC.

2. FUNDING: Any funds shall be accepted or collected only as authorized by the SPP RSC Board of Directors.
3. DEPOSITORIES: All funds of the SPP RSC shall be deposited to the credit of the SPP RSC in fully insured accounts.

4. DELEGATED AUTHORITY: For routine payment of meeting and travel expenses incurred by SPP RSC Members and their designees, including designated State Commission Staff members, the SPP RTO may act as agent for the RSC and make payment of such expenses in accordance with the RSC’s then-current Expense Reimbursement Policy. Such expenses shall be paid from the RSC’s approved budget. For items of non-routine and more financially significant nature, such as an RSC-commissioned cost-benefit study or a large conference or event, the RSC Board of Directors may provide approval to the appropriate person within the SPP RTO to pay for such expenses, acting as agent for the RSC.

5. BONDING: All persons having access to or major responsibility for the handling of monies and securities of the SPP RSC shall be bonded as provided by resolution of the SPP RSC Board of Directors.

6. INDEMNIFICATION AND INSURANCE: Indemnification and Directors and Officers insurance shall be provided by resolution of the SPP RSC Board of Directors in accordance with the Articles of Incorporation and the laws of the state where the SPP RSC is incorporated.

7. BUDGET: The annual budget of estimated income and expenditures shall be prepared for the fiscal year and approved by the SPP RSC Board of Directors in conjunction with the Annual Meeting. No expenses shall be incurred in excess of approved budget levels without prior approval of the SPP RSC Board of Directors.

8. CONTRACTS AND DEBTS: Contracts may be entered into or debts incurred only as directed by resolution of the SPP RSC Board of Directors.

9. AUDITS: A certified public accountant or other independent public accountant shall be retained by the SPP RSC Board of Directors to make an annual examination of the financial accounts of the SPP RSC. A report of this examination shall be submitted to the SPP RSC Board of Directors and made available to the general membership of the SPP RSC and the public.

10. LEGAL COUNSEL: Independent legal counsel may, if deemed necessary and appropriate, be retained by the SPP RSC Board of Directors to: (a) insure compliance with federal and state requirements; (b) review and advise on any and all legal instruments the SPP RSC Board of Directors executes, such as leases, contracts, property purchases, or sales; (c) for interventions before federal regulatory agencies and related judicial proceedings; or (d) for any other matters as determined necessary by the SPP RSC Board of Directors – including those matters that are deemed to be administrative in nature.

11. PROPERTY: Title to all property shall be held in the name of the SPP RSC, unless otherwise approved by the SPP RSC Board of Directors; or otherwise required by law.
12. INVESTMENT: The Treasurer shall invest the funds of the SPP RSC in accordance with the direction of the SPP RSC Board of Directors or any committee of the SPP RSC Board of Directors appointed for such purpose.

ARTICLE X - PARLIAMENTARY AUTHORITY

All meetings shall be conducted in a manner that will allow the fullest possible participation by all members. In the event of a dispute, Robert’s Rules of Order, newly revised, shall be the parliamentary authority governing the meetings of the SPP RSC Board of Directors and all committees, subject to the laws of the state where the SPP RSC is incorporated, the Articles of Incorporation, these Bylaws, and any special rules of order adopted by the SPP RSC.

ARTICLE XI - OPEN MEETINGS

The Annual Meeting and all meetings of the SPP RSC Board of Directors and subordinate committees and work-groups shall be open meetings, except that discussion of commercially sensitive, legal, and personnel issues may be conducted in closed session. For the purposes of these Bylaws, open meeting means:

(a) Notice of the time, place, and purpose of the meeting, as provided in Articles III and IV, shall be made available to the public, through printed or electronic means, provided however, that the agenda for any annual, regular, or special meeting may be amended up to three (3) calendar days prior to the meeting date, as long as the amendment does not involve a change to the Bylaws or otherwise affect the substantive rights of Members.

(b) Minutes of the SPP RSC Board of Directors and subordinate committee meetings shall be made available to the public, through printed or electronic means, as soon as practical.

(c) The public may attend all open meetings of the SPP RSC.

(d) The SPP RSC Board of Directors may provide for participation by telephone or electronic means.

ARTICLE XII- AMENDMENTS

Except as otherwise stated herein, these Bylaws may be amended by a two-thirds vote of a quorum at the Annual Meeting and any regular meeting of the SPP RSC Board of Directors, provided that the proposed amendment(s) must have been included in the notice of the meeting in which such changes were to be considered.

Exceptions to two-thirds voting requirement: Any amendment(s) to Article I, § 3; Article IV, § 9 or Article VIII shall require the unanimous vote of the entire Board of Directors.

ARTICLE XIII- EXECUTIVE DIRECTOR
1. EMPLOYMENT: The SPP RSC Board of Directors may select an Executive Director. Where an Executive Director is hired, the SPP RSC Board of Directors shall determine the terms and conditions of the employment of the Executive Director. Thereafter, the Executive Director's employment may be terminated by a majority of all serving SPP RSC Directors.

2. RESPONSIBILITIES: If deemed necessary and appropriate, where an Executive Director is hired, the Executive Director shall be the chief executive of the SPP RSC under the supervision and day-to-day policy guidance of the President of the SPP RSC Board of Directors. The Executive Director shall be responsible for providing advice and assistance to the SPP RSC Board of Directors, the President and other officers, and any subordinate committees and work-groups; and shall be responsible for administering the operations of the SPP RSC. The Executive Director shall have such other powers and perform such other duties as may be provided by the SPP RSC Board of Directors. The Executive Director shall be an ex officio non-voting member of the SPP RSC Board of Directors.
SOUTHWEST POWER POOL, INC.

BYLAWS

First Revised Volume No. 4
Superseding
Original Volume No. 4

PROPOSED REVISIONS – MARCH 24, 2014
Southwest Power Pool Bylaws

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PREAMBLE

The values and principles upon which SPP is incorporated and formed include: a relationship-based organization; member-driven processes; independence through diversity of Organizational Group membership; recognition that reliability and economic/equity issues are inseparable; and, deliberate evolutionary, as opposed to revolutionary, implementation of new concepts. These values and principles should guide those serving this organization. The Board of Directors will endeavor to ensure equity to all Members while also assuring the continuous adaptation to controlling conditions within these stated values and principles.
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.

Federal Power Marketing Agency
Shall have the meaning as defined in Section I of SPP’s OATT.

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.
2.0 MEMBERSHIP
2.1 Qualifications

Membership in SPP is voluntary and is open to any electric utility, Federal Power Marketing Agency, transmission service provider, any entity engaged in the business of producing, selling and/or purchasing electric energy for resale, and any entity willing to meet the membership requirements, including execution of the Membership Agreement. Membership also is open to any entity eligible to take service under the SPP Open Access Transmission Tariff (OATT). These entities desire the greater efficiency and service reliability gained through better coordination by voluntary association in SPP as constituted herein and in the SPP Articles of Incorporation. Members recognize that such association has a significant effect upon the availability and reliability of the bulk electric power supply of the region, and thereby affects the reliability of the nation’s electric power supply.
2.2 Applications

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

   (a) Meeting membership qualifications;
   (b) Providing an application for membership to the SPP President; and
   (c) Executing the Membership Agreement and delivering a signed copy to the President.

The President shall review applications, approve those meeting membership qualifications and promptly give written notice of the new Member to all other Members. The Board of Directors will review any disputes arising as to the qualifications of the new Member. Membership will commence at the beginning of the next calendar month following completion of these requirements or some other date as may be mutually agreed upon.
2.3 Member Responsibilities and Obligations

Members recognize that SPP exists and operates for the benefit of the bulk electric transmission system and to ensure the reliability of the nation’s power supply. As such, Members are required to act to further these goals by participating in projects, and complying with regulatory requirements. Failure to comply with these provisions will be considered a violation of these Bylaws and the Member may be removed in accordance with the provisions for Removal of Members in the Membership Agreement.
2.4 Termination, Removal and Reinstatement

The Board of Directors may terminate the membership of any Member in accordance with the Membership Agreement. The President shall promptly give written notice of the removal to all other Members. Any former Member seeking to rejoin SPP shall apply to the Board of Directors for reinstatement. In its application for reinstatement, the former Member shall:

(a) provide evidence that it has fully paid any accrued financial obligation to SPP;
(b) demonstrate it has corrected the reason for its removal;
(c) establish that it will be in compliance with SPP membership requirements; and
(d) deliver an executed Membership Agreement to the President.
2.5 Participation in Regional Entity Activities

Participation in SPP Regional Entity activities is open to the public and does not require membership in SPP, Inc. nor any of the obligations of membership, including SPP, Inc.’s annual fee.
3.0 ORGANIZATIONAL ADMINISTRATION
3.1 Structure

Member input on decision-making shall be accomplished primarily through Membership participation in Organizational Groups. Members are expected to provide representation to Organizational Groups as requested. Unless otherwise provided in these Bylaws, Organizational Group representation will be appointed by the Board of Directors, who shall consider the various types and expertise of Members and their geographic locations, to achieve a widespread and effective representation of the Membership. The Chair of any Organizational Group may appoint any ad hoc task forces as necessary to fulfill its mission. Task force appointments shall be made with due consideration of the various types and expertise of Members and their geographic locations. Criteria for serving on an Organizational Group will be determined in the group’s scope. Except for any full representation group, an appointment to an Organizational Group is for an individual, not a corporate entity. Participation in certain sessions of Organizational Group meetings where market sensitive issues are discussed may be restricted to persons representing entities that have executed ERO’s Confidentiality Agreement. Representatives on all Organizational Groups will be documented in the SPP directory maintained by the Staff. Organizational Group vacancies will be filled on an interim basis by appointment of the President unless otherwise provided for in these Bylaws.
3.2 Attendance and Proxy

Except for the Market and Operations Policy Committee (MOPC), if a representative does not attend three consecutive Organizational Group meetings, he/she will be considered to have resigned from the group, absent express waiver of this requirement by the chair of the group. Any appeal of removal from the roster of an Organizational Group should be directed to the Corporate Secretary. Any resulting vacancy will be filled in accordance with Section 3.1 Structure of these Bylaws. If a representative is unable to attend an Organizational Group meeting, he/she may in writing appoint a substitute representative who shall have such rights to participate and vote as the representative specifies. The substitute representative may be another member of the Organizational Group or another person who has the authority to act on behalf of the representative. A representative may not grant a proxy for more than three consecutive meetings without the express consent of the chair of the Organizational Group. If a representative exceeds the proxy limit, he/she will be considered to have resigned from the Organizational Group and the vacancy will be filled in accordance with these Bylaws; except, in the case of any full representation Organizational Group, in which case a new representative will be solicited from the member company.

A proxy provided to another representative of the Organizational Group will not be recorded as attendance at the meeting and will not serve to meet or maintain the quorum requirements. A proxy provided to another person with the authority to act on behalf of the representative will be recorded as attendance at a meeting for the purpose of meeting or maintaining the quorum requirements.
3.3 Leadership

3.3.1 Appointment

The Chair of all Organizational Groups shall be nominated by the Corporate Governance Committee for consideration and appointment by the Board of Directors. A Vice Chair shall be elected by the members of an Organizational Group, unless provided otherwise in these Bylaws. A Vice Chair shall act for a Chair:

(a) at the request of the Chair;
(b) if the Chair becomes incapacitated and unable to discharge the functions of the position; or
(c) if the position of the Chair becomes vacant, until a new Chair takes office.

3.3.2 Terms

The terms of the Chair and Vice Chair of all Organizational Groups shall coincide with the two-year term of the Chair of the Board of Directors. Organizational Group representation will be reviewed annually for compliance with the Bylaws by the Corporate Governance Committee.

3.3.3 Vacancies

Should any individual having been appointed as a Chair of any Organizational Group be unable to serve for the term specified, or be unable to serve on a NERC Organizational Group under provisions of these Bylaws, a replacement shall be appointed by the Chair of the Board of Directors for the unexpired term of office.
3.4 Executive Authority

The Officers shall carry out the rights, duties, and obligations of SPP pursuant to the authority granted by the Board of Directors. Officers will execute the SPP Standards of Conduct upon employment. The Standards of Conduct outline the independence requirements for all employees of SPP. The Officers shall be empowered to:

(a) employ qualified technical and administrative employees;
(b) engage office space;
(c) employ outside technical and special service organizations;
(d) execute contracts;
(e) provide for independent regional reliability coordination, transmission service administration, and other services as may be directed by the Board of Directors;
(f) serve as SPP’s representative before regulatory bodies, NERC, and in other public forums;
(g) incur reasonable expenses; and
(h) make Staff resources available to individual Members or groups of Members on a non-firm, non-priority, first-come-first-serve basis so as not to interfere with current or future needs and priorities established by SPP.
3.5 Meetings

Organizational Groups shall meet as necessary. SPP meetings shall be open, however, any Organizational Group may limit attendance at a meeting by an affirmative vote of the Organizational Group as necessary to safeguard confidentiality of sensitive information, including but not limited to Order 889 Code of Conduct requirements, personnel, financial, or legal matters. Representatives shall be given at least fifteen days written notice of the date, time, place and purpose of each regular or special meeting. Telephone conference meetings may be called as appropriate by the Chair of any Organizational Group with at least one-day prior notice.
3.6 Order of Business

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

The expenses of a representative participating in the activities of SPP Organizational Groups and task forces shall be borne by that representative.
3.8 Quorum

The quorum for a meeting of the Markets and Operations Policy Committee or the Membership shall be those Members present. The quorum for any other Organizational Group or task force shall be one-half of the representatives thereof, but not less than three representatives; provided, that a lesser number may adjourn the meeting to a later time. The quorum for a meeting must be established and maintained throughout the meeting in order for the Organizational Group to take any binding action(s). Notwithstanding the above, any actions taken before a quorum is lost are considered valid and binding. A proxy will serve to meet the quorum requirements as described in Section 3.2 Proxy of these Bylaws.
3.9 Voting

3.9.1 Markets and Operations Policy Committee and Membership

Upon joining, Members shall be assigned to one of two Membership sectors for the sole purpose of voting on matters before the Markets and Operations Policy Committee or the Membership: Transmission Owning Members, or Transmission Using Members. Each sector votes separately with the result for that sector being a percent of approving votes to the total number of Members voting. An action is approved if the average of these two percentages is at least sixty-six percent. If no Members are present within a sector, the single present sector-voting ratio will determine approval. Unless otherwise stated in these Bylaws, the Markets and Operations Policy Committee or the Membership may determine to vote on an issue by email. The outcome of any email vote must be recorded in the minutes for the group.

3.9.2 Organizational Groups and Task Forces

Each representative of an Organizational Group or Task Force shall have one vote. A simple majority of participants present or represented by proxy and voting shall be required for approval of an action for all other Organizational Group and Task Force action(s). Unless otherwise stated in these Bylaws, an Organizational Group or Task Force may determine to vote on an issue by email. The outcome of any email vote must be recorded in the minutes for the group.

If an Organizational Group is acting as a Standards Development Team as defined in Section 9.5 Regional Reliability Standards Development Process of these Bylaws, it will vote in accordance with the SPP Standards Development Process as approved by FERC.
3.10 Appeal

Should any Member or group of Members disagree on an action taken or recommended by any Organizational Group, such Member(s) may, in writing, appeal and submit an alternate recommendation to the Board of Directors prior to the meeting at which consideration of the action by the Board of Directors is scheduled.
3.11 Staff Independence and Support

SPP Staff members will be required to execute the SPP Standards of Conduct upon employment and annually thereafter. The Standards of Conduct outline the independence requirements for employees of SPP. The President shall assign to each Organizational Group an SPP Staff member, who shall attend all meetings and act as secretary to the Organizational Group and any ad hoc task forces of that group. Staff secretaries of all Organizational Groups and task forces shall be non-voting. Minutes shall be kept of pertinent discussion, business transacted, decisions reached, and actions taken at each meeting of SPP Organizational Groups or task forces by the secretary. Minutes shall be published within seven calendar days following a meeting but in any event in advance of the next meeting, and considered final documents upon their approval by the Organizational Group or task force.
3.12 Publications and Data Bases

SPP shall publish and distribute reports as necessary to fulfill the SPP mission. SPP shall also develop and maintain electronic databases of relevant technical information. The release of member-specific proprietary information will be governed by the appropriate SPP governing document (the OATT, the Membership Agreement, the Bylaws, the SPP Criteria) and/or a properly executed confidentiality agreement. Standard publications and standard forms of non-proprietary information will be made available at no charge.
3.13 Dispute Resolution

These procedures are established for the equitable, efficient and expeditious resolution of disputes. These procedures are intended to cover disputes between any two or more Members, between Members and consenting non-members, or between SPP and any Member(s) or consenting non-member(s). SPP and Members are strongly encouraged to take part in the complete process herein described prior to litigation or the utilization of other dispute resolution processes. SPP administrative involvement in the proceeding is to coordinate with an appropriate firm or panel to facilitate the resolution of the dispute and to provide meeting coordination and facilities. These procedures do not apply to disputes that are covered by the dispute resolution procedures of the SPP OATT or the SPP Compliance Monitoring and Enforcement Program.

3.13.1 Instigation

Any Member may begin these dispute resolution procedures by making a request in writing to the President. The President will inform the Board of Directors of the initiation of any dispute resolution proceedings. This written request must contain the authorized signatures of all parties to the dispute. The request must contain:

(a) a statement of the issues in dispute;
(b) the positions of each of the parties relating to each of the issues;
(c) the specific dispute resolution procedure desired; and
(d) any agreed-upon modifications or specific additions to the proceedings described in these Bylaws by which the dispute may be resolved.

3.13.2 Dispute Resolution Process

In the event SPP is a party to the dispute, the parties shall engage a firm specializing in alternative dispute resolution to administer the dispute resolution process. The firm will be mutually determined by the parties and the process will be administered in accordance with these Bylaws and such other SPP governing documents as may be relevant to the proceeding. In the event the parties cannot
mutually agree to the engagement of a firm, the dispute resolution process will be abandoned and other available means for resolution will be pursued.

In the event SPP is not a party to the dispute, the parties to the dispute may engage a firm specializing in alternative dispute resolution to administer the dispute resolution process. The firm will be mutually determined by the parties and the process will be administered in accordance with these Bylaws and such other SPP governing documents as may be relevant to the proceeding. In the event the parties cannot mutually agree to the engagement of a firm, and do not determine some other mutually acceptable procedure, the President of SPP shall provide to each party to the dispute a list of candidates to be used in forming a three-person dispute resolution panel. The candidates shall be persons meeting the requirements for directors. The President shall then call a telephone conference meeting during which each party shall alternate striking names from the list until those remaining constitute the dispute resolution panel. This panel shall select a chair from its membership. Should any candidate decline to serve or resign from a current appointment for any reason, the candidate whose name was last struck from the list shall be contacted to serve. The President shall assign a Staff representative to assist the panel as secretary. The President shall manage the panel selection process to ensure its timely completion.

3.13.3 Resolution Procedures

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

(a) An Advisory Proceeding to assist each party through discussion and advice, on a separate and individual basis without active participation in the joint discussions and negotiations, to resolve the dispute informally by mutual agreement;

(b) A Mediation Proceeding to assist the parties through active participation in the joint discussions and negotiations (including specific recommendations of the issues in dispute) through which the parties indirectly attempt to resolve the dispute informally by mutual agreement;

(c) A non-binding Dispute Resolution Proceeding to hear formal evidence on factual matters related to the issues submitted, make written findings and conclusions of
fact, and issue specific written recommendations for resolution of each issue in dispute.

(d) A binding Dispute Resolution Proceeding to hear formal evidence on factual matters related to the issues submitted, make written findings and conclusions of fact, and issue directives and awards for resolution of each issue in dispute.

The panel chair shall determine meeting arrangements and format necessary to efficiently expedite the resolution of the dispute, and the Staff secretary shall notify the parties of these details. Each party to the dispute must have at least one representative present at all related meetings with full authority to resolve the dispute. Upon conclusion of this process, the panel chair shall notify the President of its outcome. After consultation with the parties to the dispute and the panel chair to determine the completion of the process as described herein, and/or as modified by the parties, the President shall discharge the panel, and notify the Board of Directors of the results. The parties to the dispute agree to complete the process within 90 days from selection of the panel. Final determinations may be subject to corporate or regulatory approvals, which the parties should disclose at the outset of the process. The Staff secretary shall maintain minutes of the panel meetings, which shall become part of SPP’s historical records.

3.13.4 Expenses

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

3.13.5 Liability

The parties to any dispute which is the subject of these dispute resolution procedures shall hold harmless SPP, its Members, Organizational Groups and each of their directors, officers, agents, employees or other representatives, and the panel members from any liabilities, claims, or damages resulting from any agreement or lack of agreement as a result of the dispute resolution proceedings. The foregoing hold harmless right shall not be extended to the parties to any given dispute or to their directors, officers, agents, employees or other representatives.
3.14 Meeting of Members

The Chair of the Board of Directors shall convene and preside over meetings of Members for the purpose of electing Directors, Members Committee representatives, and Regional Entity Trustees to positions becoming vacant in the ensuing year, and any other necessary business. The Membership shall meet at least once per calendar year.
3.15 Liability, Insurance and Indemnification

For purposes of this section “SPP” refers to SPP and its officers, directors, Regional Entity Trustees, employees or agents, and “Member” refers to the Members of SPP as defined in these Bylaws. None of the provisions of this section, including the waiver of liability in Section 3.15.1 below, absolving SPP or its Members, directors, Regional Entity Trustees, officer, agents, employees or other representatives of liability or any provisions for insurance or indemnification apply to actions which are unlawful, undertaken in bad faith, or are the result of gross negligence or willful misconduct.

3.15.1 Waiver of Liability

(a) SPP shall not be liable to any Member for damages arising out of or related to any directive, order, procedure, action, or requirement of SPP, under the then effective Bylaws and Criteria.

(b) No Member shall be liable to any other Member or to SPP for damages arising out of or related to any action by the Member pursuant to any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria.

(c) Each Member waives any future claim it might have against SPP or other Members arising out of or resulting from any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria.

(d) SPP waives any future claim it might have against any Member arising out of or resulting from any actions taken by a Member pursuant to any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria.

3.15.2 Insurance

The President is authorized to procure insurance to protect SPP, its directors, Regional Entity Trustees, officers, agents, employees, or other representatives against damages arising out of or related to any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria or pursuant to the OATT.
3.15.3 Indemnification of Directors, Officers, Agents and Employees

Except for actions which are unlawful, undertaken in bad faith, or are the result of gross negligence or willful misconduct, SPP shall indemnify its directors, officers, agents, employees, or other representatives to the maximum extent allowed by law consistent with these Bylaws. Each director, Regional Entity Trustee, officer, agent, employee, or other representative of SPP shall be indemnified by SPP against all judgments, penalties, fines, settlements, and reasonable expenses, including legal fees, incurred as a result of, or in connection with, any threatened, pending or completed civil, criminal, administrative, or investigative proceedings to which the incumbent may be made a party by reason of acting or having acted in official capacity as a director, Regional Entity Trustee, officer, agent, employee, or representative of SPP, or in any other capacity which the incumbent may hold at the request of SPP, as its representative in any other organization, subject to the following conditions:

(a) Such director, Regional Entity Trustee, officer, agent, employee, or other representative must have acted in good faith and, in the case of criminal proceedings, must have had no reasonable cause to believe that conduct was unlawful; provided, that SPP shall not provide indemnification of any conduct judged unlawful in criminal proceedings. When acting in official capacity, the incumbent must have reasonably believed that conduct was in the best interests of SPP, and, when acting in any other capacity, must have reasonably believed that conduct was at least not opposed to the best interests of SPP.

(b) If the proceeding was brought by or on behalf of SPP, however, indemnification shall be made only with respect to reasonable expenses referenced above. No indemnification of any kind shall be made in any such proceeding in which the director, Regional Entity Trustee, officer, agent, employee, or other representative shall have been adjudged liable to SPP.
(c) In no event, however, will indemnification be made with respect to any described proceeding which charges or alleges improper personal benefit to a director, Regional Entity Trustee, officer, agent, employee, or other representative and where liability is imposed on the basis of the receipt of such improper personal benefit.

(d) In order for any director, Regional Entity Trustee, agent, employee, or other representative to receive indemnification under this provision, the person shall vigorously assert and pursue any and all defenses to those claims, charges, or proceedings covered herein which are reasonable and legally available and shall fully cooperate with SPP or any attorneys involved in the defense of any such claim, charges, or proceedings on behalf of SPP.

(e) No indemnification shall be made in any specific instance until it has been determined by SPP that indemnification is permissible in that specific case, under the standards set forth herein and that any expenses claimed or to be incurred are reasonable. These two (2) determinations shall be made by a majority vote of at least a quorum of the Board of Directors consisting solely of directors who were not parties to the proceeding for which indemnification or reimbursement of expenses is claimed. If such a quorum cannot be obtained, a majority of at least a quorum of the full Board of Directors, including directors who are parties to said proceeding, shall designate a special legal counsel who shall make said determinations on behalf of SPP.

(f) Any reasonable expenses, as shall be determined above, that have been incurred by a director, Regional Entity Trustee, officer, agent, employee, or other representative who has been made a party to a proceeding as defined herein, may be paid or reimbursed in advance upon a majority vote of a quorum of the full Board of Directors, including those who may be a party to the same
proceeding. However, such director, Regional Entity Trustee, officer, agent, employee, or other representative shall have provided SPP with (i) a written affirmation under oath that the incumbent, in good faith, believes the conditions of indemnification herein have been met; and (ii) a written undertaking that the incumbent shall repay any amounts advanced, with interest accumulated at a reasonable rate, if it is ultimately determined that such conditions are not met.

3.15.4 Limitations

The provisions of this section 3.15 are subject to applicable state and federal laws, if any, which limit the ability of a Member to waive liability or enter into agreements of indemnity. Any benefits under this Section 3.15 shall not extend to any Member so limited by state or federal law in complying with the provisions thereof.
3.16 Compliance with Membership Requirements

Compliance monitoring of Members and Staff shall be performed to ensure compliance with all requirements of Membership. Certain SPP compliance monitoring and enforcement functions, as detailed in Section 9.0, shall be performed in concert with related ERO programs, and will be overseen by the Regional Entity Trustees. Other monitoring functions shall be provided by appropriate SPP staff under the oversight of the Oversight Committee and the Board of Directors. Compliance monitoring shall be an after-the-fact investigative and assessment function. Monitoring functions shall include but are not limited to:

(a) Investigation of all reports or discoveries of non-compliance with approved Bylaws, Regional Criteria, OATT, and agreements between SPP and its Members;
(b) Obtaining all information needed to investigate all facets of possible non-compliance with Membership requirements;
(c) Performance of in-depth reviews of operations in order to investigate non-compliance with Membership requirements upon approval from the Oversight Committee;
(d) Comprehensive audits when recurring issues covering a broad spectrum of violations of Membership requirements are determined and documented;
(e) Imposition of financial penalties and/or sanctions for non-compliance associated with the results of investigations or audits pursuant to approved standards, policies and/or Criteria;
(f) Confirmation that SPP is conforming to its own Regional Criteria, OATT, business practices, and reliability operations in a manner that does not stifle the efficiency of the energy markets;
(g) Utilization of dispute resolution procedures as necessary to resolve conflicts or appeals; and
(h) Coordination of policy modifications to clearly define requirements and penalties in order to objectively monitor compliance with Membership requirements.
3.17 Market Monitoring

SPP shall establish and provide appropriate support to a market monitoring function in accordance with its OATT. Market monitoring functions shall be carried out in a manner consistent with the safe and reliable operation of the SPP transmission system, the operation of a robust, competitive and non-discriminatory electric power market, and the principle that a Market Participant as defined in the SPP OATT, or group of Market Participants, shall not have undue influence or impact.

The market monitoring unit shall report to the Board of Directors, except that any management representatives on the Board of Directors are excluded from oversight of the internal market monitor. Any public reports submitted shall be provided to the Board of Directors and concurrently to Commission staff, staff of interested state commissions, SPP management, and the market participants. The President shall ensure that the market monitoring entity has adequate resources, access to information, and the full cooperation of Staff and Organizational Groups for the effective execution of its duties.

Market monitoring functions shall include those duties as delineated and approved in SPP’s OATT.
4.0 Board of Directors
4.1 Duties

The Board of Directors shall at all times act in the best interest of SPP in its management, control and direction of the general business of SPP. The Board of Directors shall solicit and consider a straw vote from the Members Committee as an indication of the level of consensus among Members in advance of taking any actions other than those occurring in executive session. Its duties shall include, but are not limited to the following:

(a) Direct activities of all SPP Organizational Groups;
(b) Serve on SPP Organizational Groups;
(c) Remove Members, and approve the re-entry of Members that have been removed;
(d) Authorize all substantive contracts and debt instruments;
(e) Select and review the performance of SPP Officers, who shall serve at the pleasure of the Board of Directors;
(f) Approve policies by which positions, duties, qualifications, salaries, benefits and other necessary matters pertaining to the SPP Officers are determined;
(g) Review, approve, disapprove or recommend revision to the actions of any Organizational Group;
(h) Act on appeals pursuant to Section 3.10;
(i) Approve and implement Regional Criteria for enforcement under the terms and conditions of the SPP Membership Agreement;
(j) Provide input with the Members Committee to the Regional Entity Trustees, on SPP Regional Reliability Standards presented by the MOPC to the Trustees or otherwise developed under the auspices of the Trustees for submission to the ERO for its approval;
(k) Approve or revise the operating and capital budgets and any additional expenditures;
(l) Convene a meeting of Members at least annually;
(m) Approve amendments to these Bylaws as permitted by these Bylaws;
(n) Approve amendments to the Membership Agreement as permitted by the Membership Agreement;
(o) Approve Regional Criteria pertaining to planning and operating standards and policies and penalties for non-compliance with such Criteria; and
(p) Authorize filings with regulatory bodies.
4.2 Composition and Qualifications

4.2.1 Composition

The Board of Directors shall consist of seven persons. The seven directors shall be independent of any Member; one director shall be the President of SPP. A Director shall not be limited in the number of terms he/she may serve. The President shall be excluded from voting on business related to the office of President or the incumbent of that office. No other Staff member shall be permitted to serve as a director

4.2.2 Qualifications

Directors shall have recent and relevant senior management expertise and experience in one or more of the following disciplines: finance, accounting, electric transmission or generation planning or operation, law and regulation, commercial markets, and trading and associated risk management.

4.2.3 Conflicts of Interest

Directors shall not be a director, officer, or employee of, and shall have no direct business relationship, financial interest in, or other affiliation with, a Member or customer of services provided by SPP. Directors may invest in accordance with SPP’s Standards of Conduct. Participation in a pension plan of a Member or customer shall not be deemed to be a direct financial benefit if the Member’s or customer’s financial performance has no material effect on such pension plan.
4.3 Term and Election

Except for the President, a director shall be elected at the meeting of Members to a three-year term commencing upon election and continuing until his/her duly elected successor takes office. The election process shall be as follows:

(a) At least 90 calendar days prior to the meeting of Members when election of new directors is required, the Corporate Governance Committee shall commence the process to nominate persons equal in number to the directors to be elected;

(b) At least 45 calendar days prior to the meeting of Members, the Corporate Governance Committee shall determine the persons it nominates for election as directors, specifying the nominee for any vacancy to be filled. The Corporate Secretary shall prepare the ballot accordingly and shall deliver same to Members at least 30 calendar days prior to the meeting of Members;

(c) For purposes of electing or removing directors only, each group of Members with Affiliate Relationships shall be considered a single Member;

(d) Any additional nominee(s) may be added to the ballot if a petition is received by the Corporate Secretary at least 15 calendar days prior to the meeting of Members and evidencing support of at least 20 percent of the existing Membership; and

(e) 1) If only one candidate is nominated for a seat, each Member shall be entitled to cast a vote for or against the nominee. The votes will be calculated in accordance with Section 3.9 Voting of these Bylaws, which requires a super majority. In the event a director position is not filled, the Corporate Governance Committee will determine a new nominee for recommendation for election by the Membership at a special meeting of Members to be held no later than the next regular Board of Directors/Members Committee meeting;
2) If multiple candidates are nominated for a seat, each Member shall be entitled to cast a vote for only one nominee, but may vote against each candidate. The votes will be calculated in accordance with Section 3.9 Voting of these Bylaws, with the exception that a simple majority of votes cast will determine which nominee is elected. In the event a director position is not filled, the Corporate Governance Committee will determine a new nominee for recommendation for election by the Membership at a special meeting of Members to be held no later than the next regular Board of Directors/Members Committee meeting.
4.4 Resignation and Removal of Directors

Any director may resign by written notice to the President noting the effective date of the resignation. The Membership may remove a director with cause by vote in accordance with Section 3.9 Voting of these Bylaws. Removal proceedings may only be initiated by a petition signed by not less than twenty percent of the Members. The petition shall state the specific grounds for removal and shall specify whether the removal vote is to be taken at a special meeting of Members or at the next regular meeting of Members. A director who is the subject of removal proceedings shall be given fifteen days to respond to the Member petition in writing to the President.
4.5 Vacancies

If a vacancy occurs, the Corporate Governance Committee will present a nominee to the Membership for consideration and election to fill the vacancy for the unexpired term at a special meeting of Members following 30 calendar days notice from the Corporate Secretary. The election will be held in accordance with Section 4.3 Term and Election of these Bylaws. The replacement director shall take office immediately upon election.
4.6  Functioning of the Board of Directors

In reaching any decision and in considering the recommendations of any Organizational Group or task force, the Board of Directors shall abide by the principles in these Bylaws.

4.6.1  Meetings and Notice of Meetings

The Board of Directors shall meet at least three times per calendar year and additionally upon the call of the Chair or upon concurrence of at least four directors. At least fifteen days' written notice shall be given by the President to each director, the Members Committee, and the Regional State Committee of the date, time, place and purpose of a meeting of the Board of Directors, unless such notice is waived by the Board of Directors. Telephone conference meetings may be called as appropriate by the Chair with at least one-day prior notice. Board of Directors’ meetings shall include the Members Committee, a representative from the Regional Entity Trustees, and a representative from the Regional State Committee (as defined in Section 7.2) for all meetings except when in executive session; provided however, the failure of representatives of the Members Committee and/or of the Regional Entity Trustees and/or of the Regional State Committee to attend, in whole or in part, shall not prevent the Board of Directors from convening and conducting business, and taking binding votes. The Chair shall grant any Member’s request to address the Board of Directors.

4.6.2  Chair and Vice Chair; Election and Terms

The Board of Directors shall elect from its membership a Chair and Vice Chair for two-year terms commencing upon election and continuing until their duly elected successors take office or until their term as a director expires without re-election. The President of SPP may not serve as the Chairman of the Board of Directors. The Vice Chair shall act for the Chair:

(a) at the request of the Chair;

(b) in the event the Chair should become incapacitated and unable to discharge the functions of the office; or
(c) if the office of Chair becomes vacant, until the next regularly scheduled meeting of the Board of Directors, at which meeting a new Chair shall be elected by the Board of Directors to fill the vacancy. The Chair shall appoint a director to fill a vacant Vice Chair position until the next meeting of the Board of Directors, at which meeting a new Vice Chair shall be elected by the Board of Directors to fill the vacancy.

4.6.3 Quorum and Voting

Five of the directors shall constitute a quorum of the Board of Directors; provided, that a lesser number may adjourn the meeting to a later time. Decisions of the Board of Directors shall be by simple majority vote of the directors present and voting. Directors must be present at a meeting to vote; no votes by proxy are permitted. Voting will be by secret ballot. The Corporate Secretary will collect and tally the ballots, and announce the results of a vote. Only voting results will be announced and recorded in the minutes; individual votes will not be announced or recorded.

4.6.4 Compensation of Directors

Directors shall receive compensation as recommended by the Corporate Governance Committee, and approved by the Membership, and shall be reimbursed for actual expenses reasonably incurred or accrued in the performance of their duties.

4.6.5 Executive Session

Executive sessions (open only to directors and to parties invited by the Chair) shall be held as necessary upon agreement of the Board of Directors to safeguard confidentiality of sensitive information regarding employee, financial, or legal matters.
5.0 Committees Advising The Board Of Directors
5.1 Members Committee

The Members Committee shall work with the Board of Directors to manage and direct the general business of SPP. Its duties shall include, but are not limited to the following:

(a) Provide individual and collective input to the Board of Directors, including but not limited to a straw vote from the Members Committee representatives as an indication of the level of consensus among Members, on all actions pending before the Board of Directors; and

(b) Serve on committees reporting to the Board of Directors as appointed by the Board of Directors.

(c) Provide input with the Board of Directors to the Regional Entity Trustees on SPP Regional Reliability Standards presented by the MOPC to the Trustees or otherwise developed under the auspices of the Trustees for submission to the ERO for its approval.

5.1.1 Composition and Qualifications

5.1.1.1 Composition

Provided that Membership is sufficient to accommodate these provisions, the Members Committee shall consist of up to 19–21 persons. Four representatives shall be investor owned utilities Members; four–five representatives shall be cooperatives Members; two representatives shall be municipals Members (including municipal joint action agencies); three representatives shall be independent power producers/marketers Members; two representatives shall be state/federal power agencies Members; two representatives shall be alternative power/public interest Members; one representative shall be from a United States Federal power marketing administration/agency; one representative shall be a large retail customer Member, defined as non-residential end-use customers with individual or aggregated loads of 1-MW or more; and one representative shall be a small retail customer Member, defined as residential customers and other...
customers with individual or aggregated loads of less than 1-MW. Representatives will be elected in accordance with Section 5.1.2 of these Bylaws.

5.1.1.2 Qualifications

A representative shall be an officer or employee of a Member with decision-making responsibility over SPP related activities, and must be the Member’s representative to the Membership.

5.1.2 Term and Election

Representatives shall be nominated by the Corporate Governance Committee and elected each year at the meeting of Members to staggered three-year terms commencing upon election and continuing until their duly elected successors take office. The election process shall be as follows:

(a) At least 90 calendar days prior to the meeting of Members at which election of new representatives is required, the Corporate Governance Committee shall nominate persons equal in number to the representatives to be elected;

(b) At least 30 calendar days prior to the meeting of Members, the Corporate Governance Committee shall determine the persons it nominates for election as representatives, specifying the nominee for any vacancy to be filled. The Corporate Secretary shall prepare the ballot accordingly, leaving space for additional names, and shall deliver same to Members at least two weeks prior to the meeting of Members;

(c) For purposes of electing and removing representatives only, each group of Members with Affiliate Relationships shall be considered a single vote;

(d) At the meeting of Members, any additional nominee or nominees may be added to the ballot if a motion is made and seconded to add such nominee or nominees; and

(e) The required number of representatives shall be elected by written ballot. A Member shall be entitled to cast a number of votes equal to the number of representatives to be elected. A Member may not cumulate votes. The candidates in each sector receiving the greatest number of votes will fill vacancies.
5.1.3 Resignation and Removal of Members Committee Representatives

Any representative may resign by written notice to the President noting the effective date of the resignation. A representative may be removed, with cause, by the affirmative vote of a majority of the Members at a meeting of Members. Removal proceedings may only be initiated by a petition signed by not less than twenty percent of the Members. The petition shall state the specific grounds for removal and shall specify whether the removal vote is to be taken at a special meeting of Members or at the next regular meeting of Members. A representative who is the subject of removal proceedings shall be given fifteen days to respond to the Member petition in writing to the President.

5.1.4 Vacancies

If a vacancy occurs the Corporate Governance Committee may elect an interim representative from the same sector to serve until a replacement representative from the same sector is elected and takes office. A special election shall be held at the next meeting of Members to fill the vacancy for the unexpired term. The replacement representative shall take office immediately following the election.

5.1.5 Meetings

The Members Committee shall meet only with the Board of Directors.
6.0 Committees Reporting to the Board of Directors

This section describes the general scopes and responsibilities of the Organizational Groups reporting directly to the Board of Directors. Nothing in this section is meant to limit these responsibilities or activities in the effort to fulfill SPP’s mission.
6.1 Markets and Operations Policy Committee

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.

Each SPP Member shall appoint a representative to the Markets 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.

The MOPC shall meet at least three times per calendar year, and additionally as needed. The MOPC shall report to the Board of Directors following each MOPC meeting with respect to its activities and with such recommendations, as the MOPC deems necessary.
6.2 Strategic Planning Committee

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.

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.

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

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.

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.

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

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.

The 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.
6.5 Finance Committee

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.

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.

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.
6.6 Corporate Governance Committee

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.

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; and one representative shall be representative of and selected by a United States Federal Power Marketing Administration/agency Member(s).

Where a vacancy occurs with respect to a representative of a sector, the representatives from the appropriate sector will fill the vacancy.

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

Any regulatory agency having utility rates or services jurisdiction over a Member may participate fully in all SPP activities, including participation at the SPP Board of Directors meetings. These representatives shall have all the same rights as Members except the right to vote. Participation includes the designation of representatives by each of the regulatory jurisdictions to participate in any type of committee, working group, task force, and Board of Directors meetings.
7.1 Retention of State Regulatory Jurisdiction

Nothing in the formation or operation of SPP as a FERC recognized regional transmission organization is in any way intended to diminish existing state regulatory jurisdiction and authority. Each state regulatory agency is expressly reserved the right to exercise all lawful means available to protect its existing jurisdiction and authority.
7.2 Regional State Committee

An RSC, to be comprised of one designated commissioner from each state regulatory commission having jurisdiction over an SPP Member, shall be established to provide both direction and input on all matters pertinent to the participation of the Members in SPP. This direction and input shall be provided within the context of SPP's organizational group meetings as well as Board of Directors meetings. The SPP Staff will assist the RSC in its collective responsibilities and requests by providing information and analysis. SPP will fund the costs of the RSC pursuant to an annual budget developed by the RSC and submitted to SPP as part of its budgeting process, which budget must ultimately be approved by the Board of Directors.

The RSC has primary responsibility for determining regional proposals and the transition process in the following areas:

(a) whether and to what extent participant funding will be used for transmission enhancements;
(b) whether license plate or postage stamp rates will be used for the regional access charge;
(c) FTR allocation, where a locational price methodology is used; and
(d) the transition mechanism to be used to assure that existing firm customers receive FTRs equivalent to the customers’ existing firm rights.

The RSC will also determine the approach for resource adequacy across the entire region. In addition, with respect to transmission planning, the RSC will determine whether transmission upgrades for remote resources will be included in the regional transmission planning process and the role of transmission owners in proposing transmission upgrades in the regional planning process.

As the RSC reaches decisions on the methodology that will be used to address any of these issues, SPP will file this methodology pursuant to Section 205 of the Federal Power Act. However, nothing in this section prohibits SPP from filing its own related proposal(s) pursuant to Section 205 of the Federal Power Act.
7.3 Retention of Other Regulatory Jurisdiction

Nothing in the formation or operation of SPP as a FERC recognized regional transmission organization is in any way intended to diminish the jurisdiction or authority of any other regulatory body. Any regulatory agency having utility rates or services jurisdiction over a Member or the regional transmission organization reserves the right to exercise all lawful means available to protect its existing jurisdiction and authority.
8.0 Fiscal Administration

The fiscal year shall coincide with the calendar year.
8.1 Operating Budget

SPP Staff and the Finance Committee will prepare an annual budget of expenditures for the next fiscal year and an estimate for an additional two years. The proposed budget shall be submitted to the Board of Directors not less than two weeks prior to the meeting at which the budget is to be considered for approval. Except as addressed in Section 9.0 Regional Entity Function, once approved by the Board of Directors, the budget shall constitute the authority required by the Officers for expenditures for the ensuing year. Modifications to the budget during the fiscal year must be recommended to the Board of Directors by the Finance Committee. The President shall have the authority to approve expenditures in accordance with SPP policy as approved by the Board of Directors.
8.2 Annual Membership Fee

All SPP Members will be subject to an annual membership fee in the amount of $6,000, or other amount established by the Board of Directors. Unless otherwise agreed, Membership fees for new Members are due at the execution of the Membership Agreement. Membership fees are not subject to refund. The Board of Directors shall determine the annual membership fee for the upcoming year in advance of the last meeting of Members in a calendar year. Legitimate public interest groups (e.g. consumer advocates, environmental groups, or citizen participation groups) may seek a waiver of the annual membership fee. The request for waiver must be directed to the President in writing 90 days in advance of the start of each fiscal year.
8.3 ERO and Regional Entity Costs

SPP is a Regional Entity of the Electric Reliability Organization and is subject to the terms of the Delegation Agreement executed by SPP and the ERO. SPP will have certain functions as signatory to the Delegation Agreement related to the establishment and submission of annual budgets related to fulfillment of Regional Entity functions as well as participation in the costs incurred by ERO. The Delegation Agreement may specify SPP’s responsibility to collect ERO costs from SPP’s Regional Entity footprint, and may specify ERO’s responsibility to fund SPP’s Regional Entity budget.

SPP will clearly set out the costs associated with its operation as a Regional Entity within SPP’s annual budget.
8.4 Monthly Assessments

SPP will assess certain 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.
8.5 Fiscal Agent

The President shall serve as the fiscal agent of SPP. The President shall keep an up-to-date record of receipts and disbursements and furnish reports to the Board of Directors and the Finance Committee.
8.6 Auditors

The Board of Directors shall annually engage an independent certified public accounting firm to perform an annual audit of SPP’s financial records and prepare a report on the financial condition of SPP. The Finance Committee shall present the audit report to the Board of Directors upon completion.
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:

\[
A = 100 \left[0.25(1/N) + 0.75(B/C)\right]
\]

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 Financial Obligations for Transmission Facilities

A Terminated Member shall remain financially responsible for all financial obligations incurred and costs allocated to its load for transmission facilities approved prior to the Termination Date. Payments in fulfillment of any
such obligations and allocated costs shall commence on the date that the costs of such transmission facilities are reflected in SPP’s generally applicable rates, unless SPP and the Terminated Member agree to an alternate date. Rights, obligations, and payments applicable to time periods prior to the Termination Date shall be honored by SPP and the Terminated Member. Fulfillment and performance of such rights and obligations, and rights and obligations regarding the use of such transmission facilities, shall be negotiated between SPP and the Terminated Member, and any disputes involving such rights and obligations shall be resolved in accordance with the dispute resolution procedures in the Bylaws and Membership Agreement.

8.7.4 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, any Electric Reliability Organization-approved Regional Entity, or any other governmental or regulatory authority with jurisdiction over SPP that SPP incurs as a result of events that occurred prior to Member’s Termination Date but that SPP is unable to recover under the SPP OATT.

8.7.5 Limitation on Financial and Penalty Obligations

(a) Notwithstanding the delineation of Members’ financial obligations in section 8.7, a Federal Power Marketing Agency shall not be subject to the financial obligations listed herein in the event that SPP does not adhere to all of the provisions of, or if SPP files unilateral, material changes to the Amendments to the Membership Agreement or the Federal Power Marketing Administration’s Membership Agreement Amendment, the Bylaws or Section 39.3 of the OATT as they exist at the time of the Federal Power Marketing Agency’s initial membership, or as they may be revised in the future by mutual agreement between the Federal Power Marketing Agency and SPP. If, in its sole discretion, it is forced to terminate membership in SPP due to SPP filing unilateral, material changes to the terms and conditions of the Membership Agreement, Bylaws, or Tariff that conflict with the
fundamental principles underlying the Federal power marketing agency/administration’s support or rationale for joining SPP which cause a substantial adverse effect upon the Federal power marketing agency/administration.

(b) Provided further, notwithstanding any language to the contrary in these Bylaws, a Federal power marketing agency/administration has not waived or conceded any defense it may have, including sovereign immunity, intergovernmental immunity or lack of subject matter jurisdiction in any action against it by an Enforcement Authority. Nor has it accepted any liability, responsibility, or obligation to pay any civil monetary penalties or fines to which it would not have been subject in the absence of these Bylaws that may be imposed by an Enforcement Authority. Enforcement Authority in these Bylaws means the Federal Energy Regulatory Commission (FERC), Electric Reliability Organization (ERO), or Regional Entities with enforcement authority pursuant to a delegation from an ERO or FERC for the purpose of proposing and enforcing reliability standards.
9.0 REGIONAL ENTITY FUNCTION
9.1 Regional Entity

SPP operates as a Regional Entity under FERC jurisdiction with oversight powers delegated to it by the ERO. The Regional Entity Trustees shall appoint representatives to ERO organizational groups as necessary to represent the interests of the SPP Regional Entity. SPP may pay appropriate associated travel expenses of those appointed representatives upon receipt by the Secretary to the Trustees of an expense report as normally filed within the representative’s system.
9.2 Regional Entity Staff

The Regional Entity Trustees will oversee staffing requirements for the SPP Regional Entity. All SPP Regional Entity staff shall report through the Regional Entity (RE) General Manager to the Trustees.
9.3 RE General Manager

The RE General Manager shall be selected by and report to the SPP Regional Entity Trustees, and will provide leadership and vision, oversee the execution of RE strategic direction, and direct the day-to-day operations of the RE. The RE General Manager shall carry out the rights, duties and obligations of the SPP RE pursuant to the authority granted by these Bylaws, the Regional Entity Trustees, and SPP corporate policies. The RE General Manager’s responsibilities shall include but are not limited to:

(a) Providing guidance and oversight of the execution of the performance of delegated statutory functions from the ERO;
(b) Developing and managing an appropriate organizational structure and staffing levels to accomplish the RE functions;
(c) Developing an annual RE business plan and budget for RE Trustee, NERC and FERC approval;
(d) Providing sound fiscal management;
(e) Ensuring compliance with SPP’s Bylaws and Regional Entity Delegation Agreement, as well as other applicable federal, state, and local laws; and
(f) Interfacing with SPP members and stakeholders, federal and state regulators, other Regional Entities, and NERC on matters related to the reliability of the bulk power system.

The President shall ensure that the RE General Manager has adequate resources, access to information, and the full cooperation of Staff and Organizational Groups for the effective execution of his/her duties.
9.4 Duties of Regional Entity Staff

Regional Entity functions related to compliance monitoring and enforcement shall include but are not limited to:

(a) Investigation of all reports or discoveries of non-compliance with approved ERO policies and standards;

(b) Obtaining all information needed to investigate all facets of possible noncompliance with ERO policies and standards;

(c) Performance of in-depth reviews of operations in conjunction with the Compliance Monitoring and Enforcement Program (CMEP);

(d) Comprehensive audits when recurring issues covering a broad spectrum of violations of ERO policies and standards are determined and documented;

(e) Recommendation of financial penalties and/or sanctions for non-compliance with ERO policies and standards pursuant to ERO guidelines;

(f) Assist the Regional Entity Trustees with third party audits to confirm that SPP is conforming to ERO policies and standards;

(g) Utilization of dispute resolution procedures as necessary to resolve conflicts or appeals; and

(h) Coordination of policy modifications to clearly define ERO requirements, and penalties in order to objectively monitor compliance.
9.5 Regional Reliability Standards Development Process

When an SPP working group or task force is considering an SPP Regional Reliability Standard, it will be designated the Standards Development Team (SDT) for that Standard in accordance with the SPP Regional Entity Standards Development Process Manual. For purposes of an SDT, participation and voting will be open to any interested party in accordance with the Standards Development Process and without regard to membership status in SPP.
9.6 Compliance Monitoring and Enforcement Program

The Regional Entity Trustees will oversee SPP’s Compliance Monitoring and Enforcement Program (CMEP). The CMEP will enforce compliance according to ERO reliability standards for Registered Entities. Regional Entity staff shall oversee compliance auditing of registered entities, and will report audit results to the Regional Entity Trustees. All audits of SPP’s compliance with ERO reliability standards will be performed by external third party auditors as coordinated and managed by the Regional Entity Trustees.
9.7 Regional Entity Trustees

9.7.1 Functions and Duties of the Regional Entity Trustees

The Regional Entity Trustees shall at all times act in the best interests of SPP’s role as the SPP Regional Entity in its management, control, and direction of the general business of the Regional Entity functions. In reaching any decision and in considering the recommendations of an appropriate entity, the Regional Entity Trustees shall abide by the principles in these Bylaws. Its duties shall include, but are not limited to oversight of the following:

(a) Select, oversee and review the performance of the SPP RE General Manager in carrying out the statutory functions and duties as defined in the Delegation Agreement between ERO and SPP;
(b) Approve the annual RE business plan and budget;
(c) Perform function assigned by the SPP Compliance Monitoring and Enforcement Program;
(d) Track and review Regional Standards from MOPC for submission to the ERO and FERC for approval and implementation.
(e) Complete a self-assessment annually to determine how effectively the Regional Entity Trustees are meeting their responsibilities; and
(f) Provide an annual report to the Board of Directors regarding the effectiveness of the Regional Entity function and processes.

9.7.2 Composition and Qualifications

9.7.2.1 Composition

The Regional Entity Trustees shall consist of three (3) persons. The trustees shall be independent of the SPP Board of Directors, any Member, industry stakeholder, or SPP organizational group. Regional Entity Trustees do not serve as members of the SPP Board of Directors. A trustee shall not be limited in the number of terms he/she may serve.

9.7.2.2 Qualifications
Regional Entity Trustees shall have relevant senior management expertise and experience in the reliable operation of the bulk electric transmission system in North America.

### 9.7.2.3 Conflicts of Interest

Regional Entity Trustees shall not be a director, officer, or employee of, and shall have no direct business relationship, financial interest in, or other affiliation with, a Member, a customer of services provided by SPP, or a Registered Entity in the SPP footprint. Trustees may invest in accordance with the SPP Standards of Conduct. Participation in a pension plan of a Member, customer, or Registered Entity in the SPP footprint shall not be deemed to be a direct financial benefit if the Member’s, customer’s, or Registered Entity’s financial performance has no material effect on such pension plan.

### 9.7.3 Term and Election

Regional Entity Trustees shall be elected at the meeting of Members to a three-year term commencing upon election and continuing until his/her duly elected successor takes office. The election process shall be as follows:

(a) At least 90 calendar days prior to the meeting of Members when election of a new trustee is required, the Corporate Governance Committee shall commence the process to nominate persons for the position to be elected;

(b) At least 45 calendar days prior to the meeting of Members, the Corporate Governance Committee shall determine the person it nominates for election as a trustee, specifying the nominee for any vacancy to be filled. The Corporate Secretary shall prepare the ballot accordingly, leaving space for additional names, and shall deliver same to Members at least 30 calendar days prior to the meeting of Members;

(c) For purposes of electing or removing trustees only, Members with Affiliate Relationships shall be considered a single Member;

(d) Any additional nominee(s) may be added to the ballot if a petition is received by the Corporate Secretary at least 15 calendar days prior to the meeting of Members and evidencing support of at least 20 percent of the existing Membership; and
(e) 1) If only one candidate is nominated for a seat, each Member shall be entitled to cast a vote for or against the nominee. The votes will be calculated in accordance with Section 3.9 Voting of these Bylaws, which requires a super majority. In the event a trustees position is not filled the Corporate Governance Committee will determine a new nominee for recommendation for election by the Membership at a special meeting of Members to be held but no later than the next regular Board of Directors/Members Committee meeting;

2) If multiple candidates are nominated for a seat, each Member shall be entitled to cast a vote for only one nominee, but may vote against each candidate. The votes will be calculated in accordance with Section 3.9 Voting of these Bylaws, with the exception that a simple majority of votes cast will determine which nominee is elected. In the event a trustee position is not filled, the Corporate Governance Committee will determine a new nominee for recommendation for election by the Membership at a special meeting of Members to be held no later than the next regular Board of Directors/Members Committee meeting.

9.7.4 Resignation and Removal of Regional Entity Trustees

Any Regional Entity Trustee may resign by written notice to the President noting the effective date of the resignation. The Membership may remove a trustee with cause in accordance with Section 3.9 Voting of these Bylaws. Removal proceedings may only be initiated by a petition signed by not less than twenty percent of the Members. The petition shall state the specific grounds for removal and shall specify whether the removal vote is to be taken at a special meeting of Members or at the next regular meeting of Members. A trustee who is the subject of removal proceedings shall be given fifteen days to respond to the Member petition in writing to the President.

9.7.5 Vacancies

If a vacancy occurs, the Corporate Governance Committee will present a nominee to the Membership for consideration and election to fill the vacancy for the unexpired term at a special meeting of Members following 30 calendar days notice from the corporate Secretary. The election will be held in accordance with Section 9.7.3 Term and
Election of these Bylaws. The replacement trustee shall take office immediately upon election.

9.7.6 Meetings and Notice of Meetings

Regular Regional Entity Trustees’ meetings will be scheduled in conjunction with the regularly scheduled SPP Board of Directors meetings, provided the meeting schedule may be adjusted for good cause and with sufficient notice, and additionally upon the call of the chair or upon concurrence of at least two trustees. Except as otherwise provided in these Bylaws, all meetings will be open to any interested party. At least fifteen days’ written notice shall be given by the chair to each trustee, the Board of Directors, and the Members Committee of the date, time, place and purpose of a meeting, unless such notice is waived by the trustees. Telephone conference meetings may be called as appropriate by the chair with at least one-day prior notice. The chair shall grant any party’s request to address the Regional Entity Trustees.

9.7.7 Chair

The Regional Entity Trustees shall elect from its membership a chair for a two-year term commencing upon election and continuing until the chair’s duly elected successor takes office or until the chair’s term as a trustee expires without re-election. The panel may elect to rotate the chair to the senior member of the panel when the initial, or subsequent, chair’s term expires.

9.7.8 Quorum and Voting

Two trustees shall constitute a quorum of the Regional Entity Trustees necessary for a binding vote. Decisions of the Regional Entity Trustees require two affirmative votes. Trustees must be present at a meeting to vote; no votes by proxy are permitted. All Regional Entity Trustee decisions regarding the Regional Entity are final except as subject to oversight by the ERO and FERC.

9.7.9 Compensation of Regional Entity Trustees

Regional Entity Trustees shall receive compensation as recommended by the Corporate Governance Committee, and approved by the Membership submitted for approval as part of the ERO budget process. Trustees shall be reimbursed for actual expenses reasonably incurred or accrued in the performance of their duties.

9.7.10 Executive Session
Executive sessions (open only to Trustees and parties invited by the chair of the Regional Entity Trustees) shall be held as necessary upon agreement of the Regional Entity Trustees to safeguard confidentiality of sensitive information regarding employee, financial or legal matters, or confidential information related to compliance matters.
10.0 Amendments To These Bylaws, The Articles Of Incorporation, And Membership Agreement

Except for modifications to Section 4.0 BOARD OF DIRECTORS, Section 5.0 COMMITTEES ADVISING THE BOARD OF DIRECTORS, Section 8.7.5 LIMITATION ON FINANCIAL AND PENALTY OBLIGATIONS, Section 9.0 REGIONAL ENTITY FUNCTION, and Section 10.0 AMENDMENTS, these Bylaws may be amended, repealed, or added to by the Board of Directors only upon 30 days written notice to the Membership of the proposed modification(s). Approval of amendments to the Bylaws by the Board of Directors must be by an affirmative vote of at least five directors. Sections 4.0, 5.0, 8.7.5, 9.0, and 10.0 of these Bylaws and the Articles of Incorporation may be amended, repealed, or added to only by approval of the Membership. Provided, that all changes to Federal power marketing agency/administration representation in Section 5.1.1 and any change to Section 8.7.5 must be mutually agreed to by the Federal power marketing agency/administration, Power Marketing Agency Member, and SPP. All amendments are subject to the requisite regulatory approval(s).
11.0 Effective Date And Transition Provisions

These Bylaws shall become effective the day following acceptance at FERC and remain in force thereafter as may be amended. These Bylaws hereby cancel and supersede SPP Bylaws; provided, that these Bylaws do not relieve any Member from any financial obligation incurred thereunder. Binding obligations entered into by authority of Officers or the Board of Directors, or the Regional Entity Trustees under these Bylaws are hereby assumed and confirmed as obligations of SPP under these Bylaws.
AMENDMENTS TO SPP MEMBERSHIP AGREEMENT
FOR HEARTLAND CONSUMERS POWER DISTRICT

A1. Dispute Resolution

Notwithstanding any provisions in the Membership Agreement or the SPP Bylaws to the contrary, any disputes arising under the Membership Agreement or SPP Bylaws and relating to determinations, decisions, conduct and actions made or taken by Heartland Consumers Power District ("Heartland") pursuant to its participation in SPP shall be subject to binding resolution under Section 3.13 of the SPP Bylaws only to the extent agreed upon by Heartland’s board of directors, and subject to the terms and conditions set by Heartland’s board of directors.

A2. Withdrawal Rights

Heartland may terminate this Membership Agreement and withdraw as a member of SPP at any time during the initial term or any extension thereof with less than the required advance notice required by Section 4.2.2 of the Membership Agreement in the event that the Western Area Power Administration withdraws from SPP in accordance with its withdrawal rights or SPP does not adhere to all of the provisions of these Amendments to the Membership Agreement. In such event, Heartland and SPP shall meet and confer to facilitate the withdrawal as soon as practicable or as necessary to ensure compliance with state or Federal law. In the event of a withdrawal by the Western Area Power Administration, Heartland’s withdrawal will become effective on the same date as that of the Western Area Power Administration. Heartland also may terminate this agreement in the event that SPP files unilateral, material changes to the Tariff or Heartland’s Network Integration Transmission Service Agreement or Network Operating Agreement that have a substantial adverse effect on Heartland. If Heartland exercises its withdrawal rights under this provision, the exit fee will be calculated as the lesser of (1) the exit fee as calculated under SPP Membership Agreement § 4.3 or (2) the exit fee as calculated consistent with the exit fee that will be paid by the Western Area Power Administration.

Comment [JWG1]: Noted for discussion of connection with Western's payment obligations.

A3. Obligation to Build Conditions

Heartland’s board of directors shall be considered to be the equivalent of a state regulatory authority with jurisdiction and discretionary authority to decide whether to provide approval for the construction of new transmission facilities. Heartland’s board of directors shall not replace any state regulatory authority with responsibility for siting or other conducting other activities under state law.
IN WITNESS WHEREOF, Heartland and SPP have caused their duly authorized representatives to execute, on their respective behalves, these Amendments to Heartland's Membership Agreement with SPP, which Amendments are fully applicable and incorporated into said Membership Agreement and together shall constitute one and the same instrument binding upon Heartland and SPP.

**HEARTLAND CONSUMERS POWER DISTRICT:**

Type of Entity (Transmission Owner or Non-Transmission Owner)

Name of Authorized Representative

Title of Authorized Representative

Signature of Authorized Representative

Date of Execution

**SOUTHWEST POWER POOL, INC.:**

Name of Authorized Representative

Title of Authorized Representative

Signature of Authorized Representative

Date of Execution
AMENDMENTS TO SPP MEMBERSHIP AGREEMENT
FOR THE WESTERN AREA POWER ADMINISTRATION

A1. Participation by the Western Area Power Administration

A1.1 Subject to Acts of Congress

The participation by the United States through the Western Area Power Administration (Western-UGP) in this Agreement is subject in all respects to acts of Congress and to regulations of the Secretary of Energy established thereunder, and to rate schedules promulgated by the Secretary of Energy. This reservation includes, but is not limited to, the statutory limitations upon the authority of the Secretary of Energy to submit disputes arising under this Agreement to arbitration. In the event of a conflict between these federal participation provisions and any other provision of this Agreement, these federal participation provisions shall have precedence with respect to the application of this Agreement to the United States.

A1.2 Federal Service Exemption

Western-UGP was established on December 21, 1977, pursuant to Section 302 of the Department of Energy Organization Act, Public Law 95-91, dated August 4, 1977. By law, the Corps and Bureau of the Army (Corps) or the U.S. Bureau of Reclamation (Bureau of Reclamation) provide Federal power resources to its project use customers. By law, Western-UGP markets Federal power resources to its firm electric service customers. These are both considered Statutory Load Obligations that will be provided for under the Western-UGP Federal Service Exemption. Western-UGP’s transmission system was built primarily to enable the delivery of Federal power to satisfy these obligations. Use of transmission facilities that Western-UGP owns, operates, or to which it has contract rights for delivery of Federal long-term firm capacity and energy to project use and electric service customers is a Western-UGP responsibility under the terms and conditions of marketing criteria and electric service contracts implementing statutory obligations to market Federal power. This is complementary with the provisions of transmission service under the Agreement. Capacity in transmission facilities provided by Western-UGP under this Agreement is solely for the use of Available Transfer Capability in excess of the capability Western-UGP requires for the delivery of long-term firm capacity and energy to project use and electric service customers of the Federal government Statutory Load Obligations. Western-UGP retains the Available Transfer Capability from its Federal Power-Western-UGP in the UMZ to deliver to its Statutory Load Obligations.

A1.2.1 Western-UGP shall be exempt from Schedule 11 regional cost sharing Region-wide Charges (for both regionally shared facilities external to the UMZ and those internal to the UMZ) for Western-UGP’s delivery of Federal generation to Western’s Statutory Load Obligations Federal load obligations:

a. Inside UMZ footprint.

b. Outside UMZ footprint and outside of SPP.
Any SPP ordered regionally shared projects within the UMZ to address SPP system-wide requirements will not impact Western-UGP’s transmission charges to its Statutory Load Obligations. SPP will not assess any Schedule 11 Region-wide Charge associated with transmission facilities in the eastern interconnection, to the extent that load that is located in the Western Interconnection is served by resources in the Western Interconnection.

A1.2.2 Western-UGP shall be exempt from SPP congestion and financial marginal loss charges for deliveries from Federal resources across the UMZ to Western-UGP’s Federal load obligation. Western-UGP shall be responsible for providing the Transmission Provider average losses for the energy delivered under the Federal Service Exemption across the UMZ.

A1.3 Compliance with Section 1232(c) of the Energy Policy Act of 2005

The parties have made modifications to this Agreement, the Bylaws, and the OATT to enable Western to execute the Agreement, abide by the Bylaws, and provide and take transmission service under the OATT. These revisions have been made to ensure the goals, objectives, and requirements of the Energy Policy Act of 2005, Pub. L. No. 109-58, 119 Stat. 594 (2005) (EPAct 2005) are met. SPP and Western will ensure compliance with the performance standards, monitoring, and oversight requirements of Section 1232(c) of EPAct 2005 by taking the following actions:

a) SPP will annually provide Western with copies of any nonconfidential content of its strategic plan and annual targets used for monitoring compliance with the plan through oversight and monitoring as performed by its Board of Directors and Members Committee.

b) SPP will annually make reasonable efforts to provide Western with nonconfidential information regarding its performance as a Transmission Provider in meeting its obligations under section 2.1.1 of the Agreement.

c) SPP will annually make reasonable efforts to provide Western with nonconfidential information regarding its performance as a Reliability Coordinator in meeting its obligations under section 2.1.2 of the Agreement.

d) Western will utilize the inspection and auditing procedures under section 2.4.1 of the Agreement to verify the annual reports provided by SPP.

e) Western will ensure its obligations for oversight and monitoring of SPP’s performance as required by EPAct 05 are met through participation on the Members Committee and the Governance Committee.

f) Recovery of all of the costs and expenses related to Western-UGP transmission facilities shall be made in accordance with Sections 3.10 and 3.11 of the Agreement.

A1.4. Contingent Upon Appropriations and Authorization
Where activities provided for in this Agreement extend beyond the current fiscal year, continued expenditures by the United States through Western-UGP are contingent upon Congress making the necessary appropriations required for the continued performance of the obligations of the United Western-UGP States under this Agreement. In case such appropriation is not made, SPP hereby releases the United States Western-UGP from its contractual obligations under this Agreement and from all liability due to the failure of Congress to make such appropriation.

A1.5 Employment Practices; SPP Agreement

During the performance of this Agreement, SPP agrees to the provisions set forth in OATT Section 39.3 and its subdivisions. In addition, the Agreement will include the following provisions in every subcontract or purchase order involving Western-UGP unless exempted by rules, regulations, or order of the Secretary of Labor.

A1.5.1 Equal Opportunity Employment Practices

Section 202 of Executive Order No. 11246, 30 Fed. Reg. 12319 (1965), as amended by Executive Order No. 12086, 43 Fed. Reg. 46501 (1978), which provides, among other things, that the Agreement will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin, is incorporated by reference in the Agreement by reference to same as if the specific language had been written into the Agreement, except that Indian Tribes and tribal organizations may apply Indian Preference to the extent permitted by federal law.

A1.5.2 Contract Work Hours and Safety Standards

The Agreement, to the extent that it is of a character specified in Section 103 of the Contract Work Hours and Safety Standards Act (“Act”), 40 U.S.C. § 3701, as amended or supplemented, is subject to the provisions of the Act, 40 U.S.C. § 3701-3708, as amended or supplemented, and to regulations promulgated by the Secretary of Labor pursuant to the Act.

A1.5.3 Use of Convict Labor

SPP agrees not to employ any person undergoing sentence of imprisonment in performing the Agreement except as provided by 18 U.S.C. § 3622(c), as amended or supplemented, and Executive Order No. 11755, 39 Fed. Reg. 779 (1973), as amended or supplemented.

A1.6 Federal Projects

The individual hydroelectric projects from which the Western-UGP markets power and energy are owned and controlled by the U.S. Army Corps of Engineers (Corps) or the U.S. Bureau of Reclamation (Bureau). These projects are operated to satisfy multiple purposes such as irrigation, navigation, flood control, fish and wildlife, and recreation, as
well as power production. Any operation of, and maintenance, modification or addition to such projects is subject to the requirements and express approval of either Corps or the Bureau of Reclamation. The Parties also recognize and agree that Western-UGP’s transmission system is integrated at various locations through switchyard facilities owned and operated by the Corps or Bureau of Reclamation. Any operation of, and maintenance, modification, or addition to such facilities, including the funding of such activities, is subject to the requirements and express approval of the Corps or Bureau of Reclamation.

Western shall communicate and coordinate with the Corps or Bureau of Reclamation on any operation of, and maintenance, modification, or addition to the Corps or Bureau of Reclamation facilities as requested by SPP; Provided, that compliance with SPP’s request shall be within the discretion of and subject to the approval of the Corps or Bureau of Reclamation. In the event SPP requests changes due to redispatch, operation, maintenance or addition to hydroelectric generation owned and operated by the Corps or Bureau of Reclamation and marketed by Western-UGP, Western-UGP shall coordinate its operations with the Corps and Bureau of Reclamation to accommodate SPP’s request to the extent allowed by the Corps or Bureau of Reclamation. Nothing in this section is intended to change the Corps or Bureau of Reclamation obligations pursuant to their registration with NERC.

A1.7 No Expansion of Jurisdiction, Waiver Of Defenses, Liability For Penalties, Or Inconsistent Obligations

By entering into this Agreement, Western has not waived or conceded any defense it may have, including sovereign immunity, intergovernmental immunity, or lack of subject matter jurisdiction in any action against it by an Enforcement Authority, nor has Western accepted any liability, responsibility, or obligation to pay any civil monetary penalties or fines to which it would not have been subject in the absence of this Agreement that may be imposed by an Enforcement Authority. Enforcement Authority in this Agreement means the Federal Energy Regulatory Commission (FERC), Electric Reliability Organization (ERO), or Regional Entities with enforcement authority pursuant to a delegation from an ERO or FERC for the purpose of proposing and enforcing reliability standards.

A1.8 Transmission Expansion, Interconnections, Modifications, and Additions

SPP recognizes that as a Federal agency, Western-UGP must comply with various environmental and natural resource laws regulating the construction, operation and maintenance of its transmission facilities, including but not limited to the National Historic Preservation Act, 16 U.S.C § 470 to 470x-6, the National Environmental Policy Act of 1969, 42 U.S.C. §§ 4321-4347 (“NEPA”), the Endangered Species Act, 16 U.S.C. §§ 1531-1544, and the Archaeological Resources Protection Act of 1979, 16 U.S.C. § 470aa-470mm (2006); and regulations, and executive orders implementing these laws, as they may be amended or supplemented, as well as any other existing or subsequent applicable laws, regulations and executive orders. SPP shall comply with environmental laws, regulations and resource protection measures that apply to SPP, including but not limited to, any mitigation measures and Best Management Practices that apply to SPP.
and are associated with a transmission or interconnection customer’s requested service. SPP understands that Western-UGP’s decision to allow transmission expansion, interconnections, modifications and additions is dependent on conclusions reached in the record of decision under NEPA, or other such appropriate NEPA document, concerning the respective project and that Western-UGP’s NEPA review could result in a decision not to take action or to delay action. This decision shall not be subject to dispute resolution.

**A1.9 Net Billing**

Payments due Western may be offset against payments due SPP. For services included in net billing procedures, payments due one Party in any month shall be offset against payments due the other Party in such month, and the resulting net balance shall be paid to the Party in whose favor such balance exists. The Parties shall exchange such reports and information that either Party requires for billing purposes. Net billing shall not be used for any amounts due which are in dispute.

**A1.10 Bill Crediting**

Payments to Western by SPP shall be paid by SPP to a third party when so directed by Western. Any third party designated to receive payment in lieu of Western, and the amount to be paid to that party, will be so identified in writing to SPP. The payment to the third party shall be due and payable by the payment due date specified on Western’s bill. When remitting payment to a designated third party, SPP shall indicate that such payment is being made on behalf of Western. Western shall credit SPP for the amount paid as if payment had been made directly to Western.

**A1.11 Federal Power Marketing Administration Agency Termination**

(a) Notwithstanding anything else in the Agreement, Western-UGP may terminate this Agreement and withdraw as a member of SPP at any time during the initial term or any extension thereof with less than the advanced notice required by Section 4.2.2 of the Agreement. Western-UGP in the event that SPP files unilateral, material changes to the terms and conditions of this Agreement, the Bylaws, or OATT that conflict with the fundamental principles underlying Western’s support or rationale for joining SPP and cause a substantial adverse effect on Western, as determined in its sole discretion. If Western exercises its right to terminate this Agreement it may do so with less than the required twenty-four (24) month notice and shall not be required to pay the exit fees outlined in Section 4.3 (entitled Obligations Upon Termination) of the Agreement, Section 8.4 (entitled Monthly Assessments) and Section 8.7 (entitled Financial Obligation of Withdrawing Members) of the Bylaws in the event that SPP does not adhere to all of the provisions of, or if SPP files unilateral, material changes to the Amendments to the Agreement, Bylaws or Section 39.3 of the OATT as they exist at the time of Western-UGP’s initial membership, or as they may be revised in the future by mutual agreement between Western-UGP and SPP. In such event,
Western-UGP and SPP shall meet and confer to facilitate the withdraw as soon as practicable or as necessary to facilitate the withdraw.

(b) Should Western exercise any type of termination of this Agreement, Western shall not be responsible for payment of facility expansion costs under regional Schedule 11, including but not limited to capital, interest, prepayment premiums or penalties, for past, present or future SPP construction projects.

A.2 Amendments Not Severable

Pursuant to Section 8.4 of the Agreement, these Amendments shall not be considered severable from the other provisions of Western's Membership with SPP. If for any reason any provision of these Amendments, or the application thereof to any person, entity, or circumstance, is determined by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, then the remaining provisions of Western's Agreement with SPP shall no longer be in effect with respect to Western.

IN WITNESS WHEREOF, Western and SPP have caused their duly authorized representatives to execute, on their respective behalves, these Amendments to Western's Membership Agreement with SPP, which Amendments are fully applicable and incorporated into said Membership Agreement and together shall constitute one and the same instrument binding upon Western and SPP.

WESTERN AREA POWER ADMINISTRATION:

Type of Entity (Transmission Owner or Non-Transmission Owner)

Name of Authorized Representative

Title of Authorized Representative

Signature of Authorized Representative

Date of Execution

SOUTHWEST POWER POOL, INC.:

Name of Authorized Representative

Title of Authorized Representative
Signature of Authorized Representative

Date of Execution
B - Definitions

**Balanced Portfolio:** A set of transmission upgrades that provides economic benefits across the SPP Region that meet the requirements in Sections IV.3 and IV.4 of Attachment O.

**Balanced Portfolio Region-wide Annual Transmission Revenue Requirement:** The annual transmission revenue requirement for an approved Balanced Portfolio determined in accordance with Attachment J to this Tariff.

**Balancing Authority:** The responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time in order to:

1. Match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);
2. Maintain scheduled interchange with other Balancing Authority Areas, within the limits of Good Utility Practice;
3. Maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and
4. Provide for sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

**Balancing Authority Area:** The collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains load-resource balance within this area.

**Base Plan Region-wide Annual Transmission Revenue Requirement:** The sum of the annual transmission revenue requirement for each Base Plan Upgrade and of the Accredited Revenue Requirement(s), if any, that are allocated to the SPP Region in accordance with Attachment J to this Tariff.
**Base Plan Upgrades:** Those upgrades included in and constructed pursuant to the SPP Transmission Expansion Plan in order to ensure the reliability of the Transmission System. Base Plan Upgrades shall also include: (i) those Service Upgrades required for new or changed Designated Resources to the extent allowed for in Attachment J to this Tariff, (ii) ITP Upgrades that are approved for construction by the SPP Board of Directors, and (iii) high priority upgrades, excluding Balanced Portfolios, that are approved for construction by the SPP Board of Directors. For Zones 1 through 15, all such upgrades shall specifically exclude planned Transmission System facilities identified in the SPP Transmission Expansion Plan that are: (i) placed in service during the 2005 calendar year or (ii) required to be in service to meet the SPP Criteria and the NERC Reliability Standards for the summer of 2005. For Zones 16, 17, and 18, all such upgrades shall specifically exclude planned Transmission System facilities in those zones identified in the SPP Transmission Expansion Plan Report (2009 – 2018) that are required to be in service to meet the SPP Criteria and the NERC Reliability Standards for the summer of 2008 or which are in operation prior to January 1, 2009, except for those upgrades that are in service prior to January 1, 2009 and are components of Phase 1 of the NPPD 345kV Norfolk to Lincoln (ETR) project or OPPD Sub 1255/3455 Transformer project. Network Upgrades that are components of Phase 1 of the NPPD 345kV Norfolk to Lincoln (ETR) project or OPPD Sub 1255/3455 Transformer project that are in service prior to January 1, 2009 will be Base Plan Upgrades, however, the Zonal component of the costs shall be 100% allocated to the respective host zone. The Base Plan Upgrades in Zones 1 through 18 identified by SPP as required to be in service prior to October 1, 2015 shall not be allocable to Zone 19. The upgrades in Zone 19 identified by SPP as required to be in service prior to October 1, 2015, shall not constitute Base Plan Upgrades. The facilities of Basin Electric Power Cooperative identified in Appendix 1 to Attachment J are expressly deemed to be Base Plan Upgrades pursuant to Attachment J, Section III.A.2.ii.

**Base Plan Zonal Annual Transmission Revenue Requirement:** For each Zone, the sum of the annual transmission revenue requirement for each Base Plan Upgrade and of
the Accredited Revenue Requirement(s), if any, that are allocated to the Zone in accordance with Attachments J and S to this Tariff.

**Base Plan Zonal Charge:** Zonal component of the charge assessed by the Transmission Provider in accordance with Schedule 11 to recover the revenue requirement of facilities classified as Base Plan Upgrades.

**Base Plan Zonal Load Ratio Share:** Ratio of a Network Customer's or Transmission Owner's Resident Load in a Zone to the total load in that Zone computed in accordance with Section II.A. to Schedule 11 of this Tariff and calculated on a calendar year basis, for the prior calendar year.

**Base Plan Zonal Rate:** Zonal component of the rate (per kW of Reserved Capacity for Point-To-Point Transmission Service) assessed by the Transmission Provider in accordance with Schedule 11 to recover the revenue requirement of facilities classified as Base Plan Upgrades.

**Business Day:** A day on which the Federal Reserve System is open for business.
E - Definitions

**Eastern Interconnection:** One of the two major alternating-current electrical grids in North America. The Eastern Interconnection reaches from Central Canada eastward to the Atlantic coast (excluding Quebec), south to Florida, and back west to the foot of the Rockies (excluding most of Texas).

**Effective Date:** For Short-Term Firm and Non-Firm Point-To-Point Transmission Service the Effective Date of this Tariff is June 1, 1998. For Long-Term Firm Point-To-Point Transmission Service the Effective Date of this Tariff is April 1, 1999. For Network Integration Transmission Service the Effective Date of this Tariff is February 1, 2000.

**Eligible Customer:** (i) Any electric utility (including the Transmission Owner(s) and any power marketer), Federal Power Marketing Agency, or any person generating electric energy for sale for resale. Electric energy sold or produced by such entity may be electric energy produced in the United States, Canada or Mexico. However, with respect to transmission service that the Commission is prohibited from ordering by Section 212(h) of the Federal Power Act, such entity is eligible only if the service is provided pursuant to a state requirement that a Transmission Owner offer the unbundled transmission service, or pursuant to a voluntary offer of such service by a Transmission Owner. (ii) Any retail customer or eligible person taking unbundled transmission service pursuant to a state requirement that a Transmission Owner offer the transmission service, or pursuant to a voluntary offer of such service by a Transmission Owner, is an Eligible Customer under the Tariff.

**Emergency Condition:** A condition or situation determined by the Transmission Provider that is imminently likely to cause a material adverse effect on the security of, or damage to the Transmission System.

**Energy and Operating Reserve Markets:** The Day-Ahead Market and Real-Time Balancing Market, including the Reliability Unit Commitment processes.
**External Resource:** A Resource, other than a Designated Resource, located outside of the SPP Balancing Authority that is included in the SPP Balancing Authority through an External Resource Pseudo-Tie.

**External Resource Pseudo-Tie:** A non-physical electrical interconnection point between Balancing Authorities, whereby all or a portion of an External Resource is electronically moved from a Balancing Authority external to the SPP Balancing Authority. Energy delivered from an External Resource to the SPP Balancing Authority is treated as a Balancing Authority interchange from the source Balancing Authority to the SPP Balancing Authority.
F - Definitions

**Facilities Study:** An engineering study conducted by the Transmission Provider in collaboration with the affected Transmission Owner(s) to determine the required modifications to the Transmission System, including the cost and scheduled completion date for such modifications, that will be required to provide the requested transmission service or Generation Interconnection Service. The Transmission Provider shall have the ultimate responsibility for any such studies. However, the Transmission Provider’s final decision must be consistent with Good Utility Practice. Facilities studies for any facilities not under the operational control of the Transmission Provider shall be performed by the Transmission Owner or any entity it designates to perform the studies.

**Feasibility Study:** A coordinated preliminary determination by the Transmission Provider and the affected Transmission Owner(s) of the Attachment Facilities, other Direct Assignment Facilities, and system upgrades that are needed to accept power into the grid at the interconnection receipt point, that will be necessary to accommodate a Generation Interconnection Request made under Attachment V.

**Federal Power–Southwestern:** All power and energy generated at reservoir projects under the control of the Department of the Army in the marketing area of the Southwestern Power Administration (Southwestern) plus power and energy delivered to Southwestern from other sources for the purpose of fulfilling Southwestern’s contractual obligations for the sale of power and energy pursuant to Southwestern’s Federal power allocations.

**Federal Power–Western-UGP:** All power and energy generated at reservoir projects under the control of the Department of the Army or the Bureau of Reclamation in the marketing area of the Western Area Power Administration, Upper Great Plains Region (“Western-UGP”) for the purpose of fulfilling Western-UGP’s Statutory Load Obligations for the sale of power and energy. This shall also include any power and
energy delivered to or from Western-UGP under the pre-OATT bi-directional agreement with Southwestern Power Administration through Associated Electric Cooperative for delivery and receipt at the Maryville Substation. Western-UGP’s deliveries to Southwestern shall be considered part of Western’s Statutory Load Obligations, and receipts from Southwestern to Western-UGP will be considered as coming from Federal resources. Federal Power-Western-UGP resources shall be eligible to be considered as Designated Resources.

**Federal Power Marketing Agency:** This term shall include the term “Federal Power Marketing Administration” and have the same definition that is set forth in the Federal Power Act at 16 U.S.C. § 796(19), which defines “Federal power marketing agency” as “any agency or instrumentality of the United States (other than the Tennessee Valley Authority) which sells electric energy[.]”

**Federal Service Exemption:** Western-UGP’s exemption from certain charges under the Tariff as explained in Section 39.3(e) of this Tariff.

**Firm Point-To-Point Transmission Service:** Transmission Service under this Tariff that is reserved and/or scheduled between specified Points of Receipt and Delivery pursuant to Part II of this Tariff.
G - Definitions

**Generation Interconnection Customer:** An entity that submits a Generation Interconnection Request under Attachment V.

**Generation Interconnection Request:** A request made under Attachment V to connect a generating unit to the Transmission System or to increase the capacity of a generating unit that is connected to the Transmission System.

**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 acceptable practices, methods, or acts generally accepted in the region, including those practices required by Federal Power Act section 215(a)(4).

**Grandfathered Agreements or Transactions:** Grandfathered Agreements or Transactions include (1) agreements providing long term firm transmission service executed prior to April 1, 1999 and Network Integration Transmission Service executed prior to February 1, 2000; (2) bundled wholesale contracts (that reserve transmission as part of the contract); (3) short-term firm and non-firm point-to-point transmission transactions which were accepted and confirmed prior to the Effective Date; (4) existing or new contracts entered into by the Southwestern Power Administration on behalf of the United States for the use of transmission facilities of the Southwestern Power Administration that are constructed or acquired by purchase or other agreement, as authorized under Section 5 of the Flood Control Act of 1944, for the transmission of Federal Power; and (5) contracts executed before the Effective Date, regardless of term, entered into by the Southwestern Power Administration on behalf of the United States for the transmission of power or energy across transmission facilities owned and operated by
the Southwestern Power Administration; (6) contracts entered into by a Nebraska or South Dakota public-power entity prior to the transfer of functional control of its transmission facilities to the Transmission Provider; (7) existing contracts entered into by a Member which is a Nebraska or South Dakota public-power entity with any retail or wholesale electric utility customer that has a right under state law to obtain electric transmission service or energy service from such Member; and (8) new contracts entered into by a Member which is a Nebraska or South Dakota public-power entity with any retail or wholesale electric utility customer that has a right under state law to obtain electric transmission service or energy service from such Member to the extent that provision of service under the Tariff would not satisfy such Member’s obligation under state law; (9) agreements entered into by Southwestern Public Service Company (SPS) and Public Service Company of Colorado (PSCo) for transmission service across the Lamar HVDC Tie Line to integrate generation resources and loads pursuant to the Xcel Energy Operating Companies Joint Operating Agreement and other service under the Xcel Energy Operating Companies Open Access Transmission Tariff pursuant to FERC orders on the merger of the Xcel Energy Operating Companies, Public Service Company of Colorado, et al., 75 FERC ¶ 61,325 (1996), Order Conditionally Approving Settlement and Conditionally Authorizing Merger, 78 FERC ¶ 61,267 (1997); Cheyenne Light, Fuel and Power Co., et al., 78 FERC ¶ 61,268 (1997); and Northern States Power Company, et. al., 90 FERC ¶ 61,020 (2000), and the FERC approved Offers of Settlement in Docket Nos. ER04-1174-000 et al. and ER08-313-000 et al.; (10) contracts executed prior to the transfer of functional control of its transmission facilities to the Transmission Provider, regardless of term, by Western-UGP on behalf of the United States for the transmission of power or energy. These agreements are set forth on the list which is Attachment W to this Tariff. Umbrella service agreements are specifically not Grandfathered.
**S - Definitions**

**Screening Study:** A study conducted pursuant to Attachment AR of the Tariff to evaluate potential Long-Term Service request options or a proposed Delivery Point Transfer.

**Screening Study Agreement:** An agreement between Transmission Provider and a Network Customer or Transmission Customer for the performance of a Screening Study pursuant to Attachment AR of the Tariff.

**Service Agreement:** The initial agreement and any amendments or supplements thereto entered into by the Transmission Customer and the Transmission Provider for service under the Tariff.

**Service Commencement Date:** The date the Transmission Provider begins to provide service pursuant to the terms of an executed Service Agreement, or the date the Transmission Provider begins to provide service in accordance with Section 15.3 or Section 29.1 under the Tariff.

**Service Upgrades:** Network Upgrades required to provide transmission service requested by an Eligible Customer in accordance with Attachment Z1 to this Tariff.

**Short-Term Firm Point-To-Point Transmission Service:** Firm Point-To-Point Transmission Service under Part II of the Tariff with a term of less than one year.

**Short-Term Service:** Short-Term Firm Point-To-Point Transmission Service or Network Integration Transmission Service of less than one year.

**Sponsored Upgrades:** Network Upgrades, requested by a Transmission Customer or other entity, which do not meet the definition of any other category of Network Upgrades.
**SPP:** The Southwest Power Pool, Inc.

**SPP Bylaws:** The Bylaws of SPP filed at FERC that set forth the governance structure and other organizational authorities and obligations for SPP.

**SPP Membership Agreement:** The Southwest Power Pool Membership Agreement detailing the rights and obligations of the SPP and SPP Members.

**SPP Region:** The geographic area of the Transmission System.

**SPP Transmission Expansion Plan (STEP):** The plan that describes the transmission expansion projects being considered over the planning period and developed through the stakeholder process in accordance with this Tariff and approved by the SPP Board.

**Statutory Load Obligations:** Western-UGP’s power marketing function obligations under Federal law to deliver power and energy from the output of the Federal hydroelectric projects operated by the Department of the Army and the Bureau of Reclamation to loads which include project use loads, preference power customer loads defined pursuant to a power marketing plan, and other loads required to be served under Federal law.

**System Condition:** A specified condition on the Transmission Provider’s system or on a neighboring system, such as a constrained transmission element or flowgate, that may trigger Curtailment of Long-Term Firm Point-To-Point Transmission Service using the curtailment priority pursuant to Section 13.6. Such conditions must be identified in the Transmission Customer’s Service Agreement.

**System Impact Study:** A coordinated assessment by the Transmission Provider and the affected Transmission Owner(s) of (i) the adequacy of the Transmission System to accommodate Short-Term Service or (ii) to determine the Attachment Facilities, other
Direct Assignment Facilities, and system upgrades that are needed to accept power into the grid at the interconnection receipt point, required to accommodate a request for generation interconnection in accordance with Attachment V and (iii) whether any additional costs may be incurred in order to provide transmission service or generation interconnection.
**U - Definitions**

**Upper Missouri Zone:** The Upper Missouri Zone (“UMZ” or “Zone 19”) is the rate pricing zone initially consisting of the following facilities that meet the requirements of Attachment AI, upon the transfer of those facilities to the functional control of the Transmission Provider: (i) the facilities of Western-UGP within the Eastern and Western Interconnections; (ii) the facilities owned or leased by Basin Electric Power Cooperative or Heartland Consumers Power District within the Eastern Interconnection; (iii) a portion of the facilities owned or leased by Basin Electric Power Cooperative within the Western Interconnection; and (iv) other facilities of the Western Area Power Administration transferred to the functional control of the Transmission Provider.

**Users:** Transmission Customers or other entities that are parties to transactions under the Tariff.

**Upgrade Sponsor:** A Transmission Customer, Network Customer, Generation Interconnection Customer, or Project Sponsor paying Directly Assigned Upgrade Costs for a Creditable Upgrade.
**Western Area Power Administration-Upper Great Plains Region ("Western-UGP"):** A division of the Western Area Power Administration that markets and transmits Federal power from reservoir projects under the control of the Department of the Army or the U.S. Bureau of Reclamation to Statutory Load Obligations, including preference power customers in Iowa, Minnesota, Montana, Nebraska, North Dakota, and South Dakota located in a defined marketing area. Western-UGP operates the WAUW Balancing Authority Area in the Western Interconnection, where certain of its transmission facilities are located.

**Wholesale Distribution Service:** The provision of service over a Transmission Owner's Distribution Facilities necessary to effectuate Network Integration Transmission Service or Point-To-Point Transmission Service under this Tariff. To the extent such Wholesale Distribution Service is required; it shall be specified in the Service Agreement for the associated service being provided under the Tariff. The charges for Wholesale Distribution Service are described in Schedule 10.
III. NETWORK INTEGRATION TRANSMISSION SERVICE

Preamble

The Transmission Provider will provide Network Integration Transmission Service pursuant to the applicable terms and conditions contained in the Tariff and Service Agreement. Network Integration Transmission Service allows the Network Customer to integrate, economically dispatch and regulate its current and planned Network Resources to serve its Network Load in a manner comparable to that in which the Transmission Owners utilize the Transmission System to serve their Native Load Customers. Network Integration Transmission Service also may be used by the Network Customer to deliver economy energy purchases to its Network Load from non-designated resources on an as-available basis without additional charge. Transmission service for sales to non-designated loads will be provided pursuant to the applicable terms and conditions of Part II of the Tariff. Network Integration Transmission Service also will be coordinated with the Federal Service Exemption to allow Western-UGP to provide service to its customers in accordance with its Statutory Load Obligations.
39. Applicability of Non-Rate Terms and Conditions

39.1 Subject to State Laws and Regulations and Non-Public Utility-Power Rate Schedules

The participation in this Tariff by a Transmission Owner that is not a public utility under the Federal Power Act or a Federal Power Marketing Agency, but rather is a public-power entity, is subject in all respects to the laws and regulations of the state of its creation and to rate schedules adopted by its governing board under state law. The Commission has exclusive jurisdiction to interpret the provisions of this Tariff and how the provisions apply to such public-power entity(ies). However, in the event that the governing board of such an public-power entity(ies), subject to state court review, where applicable, determines that a conflict exists between the applicable state law, regulations, or rate schedules, and provisions of this Tariff as interpreted by the Commission, such state law, regulations, or rate schedules shall govern with respect to the application of this Tariff to such public-power entity(ies). Should the governing board of such an public-power entity(ies) determine that such a conflict exists, the public-power entity(ies) must file, with the Commission, such necessary documents notifying the Commission of the governing board determination of such a conflict and explaining both the conflict (including what state law, regulations, or rate schedules, and what Tariff provisions are at issue) and what actions the governing board is taking in response to that determination.
39.2 Bundled Retail and Grandfathered Load:

Notwithstanding Sections 37 and 38 of this Tariff, each Transmission Owner (which is not otherwise taking Network Integration Transmission Service) is subject to the non-rate and conditions of this Tariff for: (1) its bundled retail load not having a choice of power suppliers; (2) its bundled retail load that had the right to choose a different power supplier under a state retail access program or legislation and that was retail load served by the Transmission Owner prior to the retail load receiving the right to choose a different supplier; and (3) its bundled load under Grandfathered Agreements. For purposes of this provision the non-rate terms and conditions are those that would apply to Network Customers. In addition, unless a Transmission Owner executes a Service Agreement under this Part III, it will not be considered as taking Network Integration Transmission Service.

39.3 Participation by the United States Subject to Federal Laws and Regulations

(a) Subject to Acts of Congress

The participation by the United States through the Western UGP Area Power Administration in this Tariff is subject in all respects to acts of Congress and to regulations of the Secretary of Energy established thereunder, and to rate schedules promulgated by the Secretary of Energy. This reservation includes, but is not limited to, the statutory limitations upon the authority of the Secretary of Energy to submit disputes arising under this Tariff to arbitration. In the event of a conflict between these federal participation provisions and any other provision of this Tariff, these federal participation provisions shall have precedence with respect to the application of this Tariff to the United States.

(b) Contingent Upon Appropriations and Authorization

Where activities provided for in this Tariff extend beyond the current fiscal year, continued expenditures by the United States through the Western UGP Area Power Administration are contingent upon Congress making the necessary appropriations required for the continued performance of the obligations of the United States under this Tariff. In case such appropriation is not made, the Parties hereby release the United States from its contractual obligations under this Tariff and from all liability due to the failure of Congress to make such appropriation.

(c) Employment Practices; Contractor Agreement
For the purpose of this federal participation provision, the term “Contract” shall mean this Tariff and the term “Contractor” shall mean a Party having transactions with the Western-UGP Area Power Administration. During the performance of this Contract, the Contractor agrees to the provisions set forth in Section 39.3 and its subdivisions. In addition, the Contractor will include the following provisions in every subcontract or purchase order involving the Western-UGP Area Power Administration unless exempted by rules, regulations, or order of the Secretary of Labor.

(i) Equal Opportunity Employment Practices

Section 202 of Executive Order No. 11246, 30 Fed. Reg. 12319 (1965), as amended by Executive Order No. 12086, 43 Fed. Reg. 46501 (1978), which provides, among other things, that the Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin, is incorporated by reference in the Contract by reference to same as if the specific language had been written into the Contract, except that Indian Tribes and tribal organizations may apply Indian Preference to the extent permitted by federal law.

(ii) Contract Work Hours and Safety Standards

The Contract, to the extent that it is of a character specified in Section 103 of the Contract Work Hours and Safety Standards Act (“Act”), 40 U.S.C. § 3701, as amended or supplemented, is subject to the provisions of the Act, 40 U.S.C. § 3701-3708, as amended or supplemented, and to regulations promulgated by the Secretary of Labor pursuant to the Act.

(iii) Use of Convict Labor

The Contractor agrees not to employ any person undergoing sentence of imprisonment in performing the Contract except as provided by 18 U.S.C. § 3622(c), as amended or supplemented, and Executive Order No. 11755, 39 Fed. Reg. 779 (1973), as amended or supplemented.

(d) Western-UGP Co-supply Arrangement

For Network Loads in Zone 19 for which Western-UGP is a Network Customer, Western-UGP’s Network Load shall be its Statutory Load Obligations. The co-supplier’s Network Load shall be the total of the Network Load at each Delivery Point less Western-UGP’s Statutory Load Obligations. For Western-UGP
Statutory Load Obligations outside of the Transmission Provider’s Transmission System, Western-UGP’s Network Load shall be its Statutory Load Obligations.

(e) Western-UGP Federal Service Exemption

Western-UGP was established on December 21, 1977, pursuant to Section 302 of the Department of Energy Organization Act, Public Law 95-91, dated August 4, 1977. By law, the Department of the Army or the U.S. Bureau of Reclamation provide Federal power resources to its project use customers. By law, Western-UGP markets Federal power resources to its firm electric service customers. These are both considered Statutory Load Obligations that will be provided for under the Western-UGP Federal Service Exemption. Western-UGP’s transmission system was built primarily to enable the delivery of Federal power to satisfy these obligations. Use of transmission facilities that Western-UGP owns, operates, or to which it has contract rights for delivery of Federal long-term firm capacity and energy to project use and electric service customers is a Western-UGP responsibility under the terms and conditions of marketing criteria and electric service contracts implementing Statutory Load Obligations to market Federal power. This is complementary with the provisions of transmission service under the Tariff. Capacity in transmission facilities provided by Western-UGP under this Tariff is solely for the use of Available Transfer Capability in excess of the capability Western-UGP requires for the delivery of long-term firm capacity and energy to Statutory Load Obligations. Western-UGP retains the Available Transfer Capability from its Federal Power-Western-UGP in the UMZ to deliver to its Statutory Load Obligations.

(i) Western-UGP shall be exempt from Schedule 11 Region-wide Charges (for both regionally shared facilities external to the UMZ and those internal to the UMZ) for Western-UGP’s delivery of Federal generation to Western’s Statutory Load Obligations. Any Transmission Provider ordered regionally shared projects within the UMZ to address Transmission Provider system-wide requirements will not impact Western-UGP’s transmission charges to its Statutory Load Obligations.
The Transmission Provider will not assess any Schedule 11 Region-wide Charge, associated with transmission facilities in the eastern interconnection, to the extent that load that is located in the Western Interconnection is served by resources in the Western Interconnection.

(ii) Western-UGP shall be exempt from SPP congestion and financial marginal loss charges for deliveries from Federal resources across the UMZ to Western-UGP’s Statutory Load Obligations. Western-UGP shall be responsible for providing the Transmission Provider average losses for the energy delivered under the Federal Service Exemption across the UMZ.

(f) Federal Projects

The individual hydroelectric projects from which the Western-UGP markets power and energy are owned and controlled by the Department of the Army or the U.S. Bureau of Reclamation. These projects are operated to satisfy multiple purposes such as irrigation, navigation, flood control, fish and wildlife, and recreation, as well as power production. Any operation of, and maintenance, modification or addition to such projects is subject to the requirements and express approval of either Department of the Army or the U.S. Bureau of Reclamation. Western-UGP’s transmission system is integrated at various locations through switchyard facilities owned and operated by the Department of the Army or U.S. Bureau of Reclamation. Any operation of, and maintenance, modification, or addition to such facilities, including the funding of such activities, is subject to the requirements and express approval of the Department of the Army or U.S. Bureau of Reclamation. Western-UGP shall communicate and coordinate with the Department of the Army on any operation of, and maintenance, modification, or addition to the Department of the Army or the U.S. Bureau of Reclamation facilities as requested by the Transmission Provider; provided, that compliance with the Transmission Provider’s request shall be within the discretion of and subject to the approval of the Department of the Army or the U.S. Bureau of Reclamation. In the event the Transmission Provider
requests changes due to redispach, operation, maintenance or addition to hydroelectric generation owned and operated by the Department of the Army or U.S. Bureau of Reclamation and marketed by Western-UGP, Western-UGP shall coordinate its operations with the Department of the Army and U.S. Bureau of Reclamation to accommodate the Transmission Provider’s request to the extent allowed by the Department of the Army or U.S. Bureau of Reclamation. Nothing in this section is intended to change the Department of the Army or U.S. Bureau of Reclamation obligations pursuant to their registration with NERC.

(g) Federal Projects as Designated Resources

The Federal Power Western-UGP resources will be deemed to be eligible as Western-UGP Designated Resources.

(h) Transmission Expansion, Interconnections, Modifications, and Additions

As a Federal agency, Western-UGP must comply with various environmental and natural resource laws regulating the construction, operation and maintenance of its transmission facilities, including but not limited to the National Historic Preservation Act, 16 U.S.C § 470 to 470x-6, the National Environmental Policy Act of 1969, 42 U.S.C. §§ 4321-4347 ("NEPA"), the Endangered Species Act, 16 U.S.C. §§ 1531-1544, and the Archaeological Resources Protection Act of 1979, 16 U.S.C. § 470aa-470mm (2006); and regulations, and executive orders implementing these laws, as they may be amended or supplemented, as well as any other existing or subsequent applicable laws, regulations and executive orders. The Transmission Provider shall comply with environmental laws, regulations and resource protection measures that apply to the Transmission Provider, including but not limited to, any mitigation measures and Best Management Practices that apply to the Transmission Provider and are associated with a transmission or interconnection customer’s requested service. Western-UGP’s decision to allow transmission expansion, interconnections, modifications and additions is dependent on conclusions reached in the record of decision under NEPA, or other such appropriate NEPA document, concerning the respective
project and that Western-UGP’s NEPA review could result in a decision not to take action or to delay action. This decision shall not be subject to dispute resolution.

(i) Advance Funding

In the absence of appropriated funds, Western-UGP requires advance deposit of funds when it is required to perform for third parties. As such, Western-UGP must receive an advance deposit of funds pursuant to Federal law prior to Western-UGP committing to perform any work pursuant to the Tariff.

(j) No Expansion of Jurisdiction, Waiver Of Defenses, Liability For Penalties, Or Inconsistent Obligations

Western-UGP has not waived or conceded any defense it may have, including sovereign immunity, intergovernmental immunity, or lack of subject matter jurisdiction in any action against it by an Enforcement Authority, nor has Western-UGP accepted any liability, responsibility, or obligation to pay any civil monetary penalties or fines to which it would not have been subject in the absence of this Tariff that may be imposed by an Enforcement Authority. Enforcement Authority in this Tariff means the Commission, Electric Reliability Organization (ERO), or Regional Entities with enforcement authority pursuant to a delegation from an ERO or Commission for the purpose of proposing and enforcing reliability standards.

(k) Liability

Western-UGP has limitations on agreeing to Tariff Section 10.3 Indemnity that are imposed by the Anti-Deficiency Act, 31 U.S.C. § 1342, et seq, as amended or supplemented. Western-UGP’s liability is instead determined in accordance with the Federal Tort Claims Act, 28. U.S.C. § 1346(c), 2401(b), 2402, 2671, 2672, 2674-2680, as amended or supplemented.

(l) Western-UGP Rate Review
Western-UGP’s transmission service rates and revenue requirements shall only be reviewed in accordance with Delegation Order No. 00-037.00A from the Secretary of Energy to the Federal Power Marketing Agencies and the FERC, as superseded or amended, and in accordance with the regulations implementing the review authority found in 10 C.F.R. Part 903 and 18 C.F.R. Part 300, as superseded or amended.
SCHEDULE 7
Long-Term Firm and Short-Term Firm Point-To-Point Transmission Service

The Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity at the sum of the applicable charges set forth below in addition to other applicable charges specified in the Tariff. All effective rates under this schedule shall be posted on the SPP OASIS.

1. **Zonal Rates:** The Transmission Customer shall pay the zonal rate (per kW of reserved capacity) based upon the Zone where the load is located for Firm Point-To-Point Transmission Service where the generation source is outside the SPP Region and the load is located within the SPP Region and for Firm Point-To-Point Transmission Service where both the generation source and the load are located within the SPP Region. For Firm Point-To-Point Transmission Service where the generation source is located within the SPP Region and the load is located outside of the SPP Region, and for Firm Point-To-Point Transmission Service where both the generation source and the load are located outside of the SPP Region, the Transmission Customer shall pay the zonal rate (per kW of reserved capacity) for the Zone interconnected with the Balancing Authority Area, external to the SPP Region, that is the designated Point of Delivery. Where there is more than one Zone interconnected with such Balancing Authority Area, the lowest zonal rate of the interconnected Zones is applicable. The zonal rates are stated in Attachment T.

The Zones are as follows:

Zone 1: American Electric Power – West
Zone 2: Reserved for Future Use
Zone 3: City Utilities of Springfield, Missouri
Zone 4: Empire District Electric Company
Zone 5: Grand River Dam Authority
Zone 6: Kansas City Power & Light Company
Zone 7: Oklahoma Gas & Electric Company
Zone 8: Midwest Energy, Inc.
Zone 9: KCP&L Greater Missouri Operations Company
Zone 10: Southwestern Power Administration
Zone 11: Southwestern Public Service
Zone 12: Sunflower Electric Cooperative
Zone 13: Western Farmers Electric Cooperative
Zone 14: Westar Energy, Inc. (Kansas Gas & Electric and Westar Energy)
Zone 15: Mid-Kansas Electric Company
Zone 16: Lincoln Electric System
Zone 17: Nebraska Public Power District
Zone 18: Omaha Public Power District
Zone 19: Upper Missouri Zone

No changes in Zones shall be made without submitting a filing to the Commission.

2. Caps: The total demand charge in any week, pursuant to a reservation for Daily delivery, shall not exceed the weekly rate times the highest amount in kilowatts of Reserved Capacity in any day during such week.

3. Redispatch Costs: The redispatch costs shall be calculated in accordance with the formula and protocols shown on Attachment K.

4. Losses: The Transmission Customer shall be responsible for losses determined in accordance with Attachment M.

5. a. Direct Assignment Costs: Where a Facilities Study indicates the need to construct Direct Assignment Facilities to accommodate a request for Transmission Service, the Transmission Customer shall be charged the full cost of such Direct Assignment Facilities in addition to the charges specified in this Schedule and Tariff. The annual costs of the facility shall be calculated by multiplying the levelized fixed charge rate of the Transmission Owner by the nondepreciated cost of the facility. Each month the Transmission Customer shall pay a charge based on such annual costs divided by twelve. Any such charge will be filed with the Commission.

b. Directly Assigned Upgrade Costs: Where a Facilities Study indicates the need to construct Network Upgrades to accommodate a request for Transmission Service, the Transmission Customer may be allocated Directly Assigned Upgrade Costs in accordance with Attachments J and Z1. Any such charge will be filed with the Commission. The Transmission Customer shall be charged the higher of (i) the charges specified in Schedules 7 and 11 or (ii) the Directly Assigned Upgrade Costs. The Transmission Customer shall also be charged any
other applicable charges under the Tariff. If the Transmission Customer is charged the Directly Assigned Upgrade Costs, upon completion of construction of such assigned upgrades, the Transmission Provider shall reconcile the Directly Assigned Upgrade Costs against the actual construction costs. Based on the reconciliation, the Transmission Customer’s cost responsibility shall be adjusted as appropriate.

6. Wholesale Distribution Service: Where Wholesale Distribution Service is provided to effectuate Firm Point-To-Point Transmission Service, the Transmission Customer shall pay all charges levied pursuant to the Wholesale Distribution Service Agreement and Schedule 10.

7. Base Plan Zonal Charges and Region-wide Charges: The Transmission Customer shall pay all charges assessed pursuant to Schedule 11 to the extent the revenue from such charges is not recovered by the Transmission Provider from the Transmission Customer pursuant to Section 5.b of this Schedule.

8. Resales: The rates and rules governing charges and discounts stated above shall not apply to resales of transmission service, compensation for which shall be governed by section 23.1 of the Tariff.
SCHEDULE 8
Non-Firm Point-To-Point Transmission Service

The Transmission Customer shall compensate the Transmission Provider for Non-Firm Point-To-Point Transmission Service up to the sum of the applicable charges set forth below in addition to other applicable charges specified in the Tariff. All effective rates under this schedule shall be posted on the SPP OASIS.

1. **Zonal Rates:** The Transmission Customer shall pay the zonal rate (per KW of reserved capacity) based upon the Zone where the load is located for Non-Firm Point-To-Point Transmission Service where the generation source is outside the SPP Region and the load is located within the SPP Region and for Non-Firm Point-To-Point Transmission Service where both the generation source and the load are located within the SPP Region. For Non-Firm Point-To-Point Transmission Service where the generation source is located within the SPP Region and the load is located outside of the SPP Region, and for Non-Firm Point-To-Point Transmission Service where both the generation source and the load are located outside of the SPP Region, the Transmission Customer shall pay the zonal rate (per KW of reserved capacity) for the Zone interconnected with the Balancing Authority Area, external to the SPP Region, that is the designated Point of Delivery. Where there is more than one Zone interconnected with such Balancing Authority Area, the lowest zonal rate of the interconnected Zones is applicable. The zonal rates are stated in Attachment T.

The Zones are as follows:

Zone 1: American Electric Power – West
Zone 2: Reserved for Future Use
Zone 3: City Utilities of Springfield, Missouri
Zone 4: Empire District Electric Company
Zone 5: Grand River Dam Authority
Zone 6: Kansas City Power & Light Company
Zone 7: Oklahoma Gas & Electric Company
Zone 8: Midwest Energy, Inc.
Zone 9: KCP&L Greater Missouri Operations Company
Zone 10: Southwestern Power Administration
Zone 11: Southwestern Public Service
| Zone 12: | Sunflower Electric Cooperative |
| Zone 13: | Western Farmers Electric Cooperative |
| Zone 14: | Westar Energy, Inc. (Kansas Gas & Electric and Westar Energy) |
| Zone 15: | Mid-Kansas Electric Company |
| Zone 16: | Lincoln Electric System |
| Zone 17: | Nebraska Public Power District |
| Zone 18: | Omaha Public Power District |
| Zone 19: | Upper Missouri Zone |

No changes in Zones shall be made without submitting a filing to the Commission.

2. **Caps:** The total demand charge in any week, pursuant to a reservation for Daily delivery, shall not exceed the weekly rate times the highest amount in kilowatts of Reserved Capacity in any day during such week. The total demand charge in any day, pursuant to a reservation for Hourly delivery, shall not exceed the daily rate times the highest amount in kilowatts of Reserved Capacity in any hour during such day. In addition, the total demand charge in any week, pursuant to a reservation for Hourly or Daily delivery, shall not exceed the weekly rate above times the highest amount in kilowatts of Reserved Capacity in any hour during such week.

3. **Redispatch Costs:** The redispatch costs shall be calculated in accordance with the formula and protocols shown on Attachment K.

4. **Discounts:** The Transmission Provider may offer discounts under this Schedule. Three principal requirements apply to discounts for transmission service as follows: (1) any offer of a discount made by the Transmission Provider must be announced to all Eligible Customers solely by posting on the OASIS, (2) any customer-initiated requests for discounts must occur solely by posting on the OASIS, and (3) once a discount is negotiated, details must be immediately posted on the OASIS. For any discount agreed upon for service on a path, from Point(s) of Receipt to Point(s) of Delivery, the Transmission Provider must offer the same discounted transmission service rate for the same time period to all Eligible Customers on all unconstrained transmission paths that go to the same Point(s) of Delivery on the Transmission System. In offering discounts, the Transmission Provider’s goal shall be to maximize transmission revenues.
4(a) **Next-Hour-Market Service:** The basic charge shall be that agreed upon by the Parties at the time this service is reserved and in no event shall exceed the applicable charges posted on OASIS. In the event that transmission service is curtailed or interrupted by the Transmission Provider, either acting directly or indirectly at the request of another transmission provider or a Security Coordinator, the Transmission Customer shall be charged only for that portion of the hour of actual transmission service used. The pro-rata portion must be agreed upon between the Transmission Provider and the Transmission Customer.

5. **Losses:** The Transmission Customer shall be responsible for replace losses determined in accordance with Attachment M.

6. **Wholesale Distribution Service:** Where Wholesale Distribution Service is provided to effectuate Non-Firm Point-To-Point Transmission Service, the Transmission Customer shall pay all charges levied pursuant to the Wholesale Distribution Service Agreement and Schedule 10.

7. **Base Plan Zonal Charges and Region-wide Charges:** The Transmission Customer shall pay all charges assessed pursuant to Schedule 11.

8. **Resales:** The rates and rules governing charges and discounts stated above shall not apply to resales of transmission service, compensation for which shall be governed by section 23.1 of the Tariff.
SCHEDULE 9
NETWORK INTEGRATION TRANSMISSION SERVICE

The Transmission Customer shall compensate the Transmission Provider for Network Integration Transmission Service at the applicable charges set forth below in addition to other applicable charges specified in the Tariff.

1. **Zonal Rates:** The Transmission Customer taking Network Integration Transmission Service shall pay a monthly demand charge for the Zone where the load is located. Each month, the Transmission Customer shall pay the Transmission Provider the applicable monthly zonal Demand Charge, determined in accordance with Section 34.1. If a Transmission Customer has load in multiple Zones, the Transmission Customer shall pay the monthly demand charge for each Zone in which its load is located. For load not physically interconnected with the Transmission System designated as Network Load pursuant to Section 31.3, the Network Customer shall pay the zonal Demand Charge for the Zone interconnected with the Balancing Authority Area, external to the SPP Region, that is the designated Point of Delivery. Where there is more than one Zone interconnected with such Balancing Authority Area, the lowest zonal Demand Charge of the interconnected Zones is applicable. A Transmission Customer that is serving load on the Xcel Energy Operating Companies’ transmission system taking Network Integration Transmission Service under the Xcel Energy Operating Companies’ OATT and also takes transmission service under Part III of this Tariff to export over the Lamar Tie Line resources from the SPS Zone to serve load on the Public Service Company of Colorado (PSCo) transmission system shall have its zonal rate charges under this Schedule 9 reduced by 100%. A Transmission Customer that is serving load on the Xcel Energy Operating Companies’ transmission system taking Network Integration Transmission Service under the Xcel Energy Operating Companies’ OATT and also takes transmission service under Part III of this Tariff to import over the Lamar Tie Line resources to serve its load in the SPS Zone shall be subject to the applicable charges under this Schedule 9, without reduction. The Zonal Annual Transmission Revenue Requirement of each Zone is stated in Attachment H. Notwithstanding anything to the contrary in this Tariff, a Transmission Owner taking Network Integration Transmission Service may elect not to pay (in whole or in part) the monthly demand charges specified in the preceding paragraph to the extent that the Transmission Owner would have received under Attachment L.
the amounts it seeks to not pay under this provision. A Transmission Owner electing this option shall remain obligated to pay any applicable charges for transmission services using any other Transmission Owner’s facilities unless the transmission is provided pursuant to a Grandfathered Agreement (in which case compensation provisions under the Grandfathered Agreement control). A Transmission Owner electing this option shall remain responsible for any credits pursuant to Section 30.9 and for all other applicable charges under this Tariff. This election will only be effective through January 31, 2010.

The Zones are as follows:

Zone 1: American Electric Power - West
Zone 2: Reserved for Future Use
Zone 3: City Utilities of Springfield, Missouri
Zone 4: Empire District Electric Company
Zone 5: Grand River Dam Authority
Zone 6: Kansas City Power & Light Company
Zone 7: Oklahoma Gas & Electric Company
Zone 8: Midwest Energy, Inc.
Zone 9: KCP&L Greater Missouri Operations Company
Zone 10: Southwestern Power Administration
Zone 11: Southwestern Public Service
Zone 12: Sunflower Electric Cooperative
Zone 13: Western Farmers Electric Cooperative
Zone 14: Westar Energy, Inc. (Kansas Gas & Electric and Westar Energy)
Zone 15: Mid-Kansas Electric Company
Zone 16: Lincoln Electric System
Zone 17: Nebraska Public Power District
Zone 18: Omaha Public Power District
Zone 19: Upper Missouri Zone

No changes in Zones shall be made without submitting a filing to the Commission.

2. **Redispatch Costs:** The redispatch costs shall be calculated in accordance with the formula and protocols shown on Attachment K.
3. **Losses:** The Transmission Customer shall be responsible for losses determined in accordance with Attachment M.

4. **a.) Direct Assignment Costs:** Where a Facilities Study indicates the need to construct Direct Assignment Facilities to accommodate a request for Transmission Service, the Transmission Customer shall be charged the full cost of such Direct Assignment Facilities in addition to the charges specified in this Schedule and Tariff. The annual costs of the facility shall be calculated by multiplying the levelized fixed charge rate of the Transmission Owner by the nondepreciated cost of the facility. Each month the Transmission Customer shall pay a charge based on such annual costs divided by twelve. Any such charge will be filed with the Commission.

**b.) Directly Assigned Upgrade Costs:** Where a Facilities Study indicates the need to construct Network Upgrades to accommodate a request for Transmission Service, the Transmission Customer may be allocated Directly Assigned Upgrade Costs in accordance with Attachments J and Z1. Any such charge will be filed with the Commission. The Transmission Customer shall be charged the Directly Assigned Upgrade Costs in addition to the charges specified in this Schedule and any other applicable charges under this Tariff. If the Transmission Customer is charged the Directly Assigned Upgrade Costs, upon completion of construction of such assigned upgrades, the Transmission Provider shall reconcile the Directly Assigned Upgrade Costs against the actual construction costs. Based on the reconciliation, the Transmission Customer’s cost responsibility shall be adjusted as appropriate.

5. **Wholesale Distribution Service:** Where Wholesale Distribution Service is provided to effectuate Network Integration Transmission Service, the Network Customer shall pay all charges levied pursuant to the Wholesale Distribution Service Agreement and Schedule 10.

6. **Base Plan Zonal Charges and Region-wide Charges:** The Transmission Customer shall pay all charges assessed pursuant to Schedule 11.
SCHEDULE 11
Base Plan Zonal Charge and Region-wide Charge

I. Introduction

Except as provided herein, pursuant to Part V of this Tariff, Base Plan Zonal Charges and Region-wide Charges shall be assessed to Network Customers and, where applicable, Transmission Owners based on Resident Load. Likewise, Base Plan Zonal Charges and the Region-wide Charge shall be assessed to each Transmission Customer taking Point-To-Point Transmission Service under the Tariff based on Reserved Capacity. These charges will be applied only to service taken in whole or in part within the Eastern Interconnection. The Region-wide Charge under Schedule 11 for Western-UGP shall be in accordance with Section 39.3(e), Western-UGP Federal Service Exemption, of the Tariff. For the purpose of determining the load ratio shares for application of Schedule 11, transmission of Federal Power-UGP to the Statutory Load Obligations served by Western-UGP shall be excluded from the Transmission Provider's Monthly Zone Transmission Load for Zone 19 used as a component of the divisor for all zones and from the numerator used for Zone 19. The charges stated in Schedule 11 shall not be changed absent a filing with the Commission.

II. Base Plan Zonal Charges and Region-wide Charge to Resident Load

A. Base Plan Zonal Charge to Resident Load

The Network Customer and the Transmission Owner shall pay a monthly Base Plan Zonal Charge, which shall be determined by multiplying its Base Plan Zonal Load Ratio Share by one twelfth (1/12) of the Base Plan Zonal Annual Transmission Revenue Requirement specified in Attachment H less any amount reallocated in accordance with Section IV.A of Attachment J for each Zone in which the Network Customer’s or Transmission Owner’s Resident Load is physically located. Where a Network Customer has designated Network Load not physically interconnected with the Transmission System under Section 31.3, Network Customer shall pay a monthly Zonal Base Plan Charge, which shall be determined by multiplying its Base Plan Zonal Load Ratio Share by one twelfth (1/12) of the Base Plan Zonal Annual Transmission Revenue Requirement
specified in Attachment H less any amount reallocated in accordance with Section IV.A of Attachment J for the Zone that is the basis for charges under Schedule 11.

1. **Determination of Network Customer's and Transmission Owner’s Monthly Zonal Resident Load**

   The Network Customer's or Transmission Owner’s monthly zonal Resident Load is its integrated hourly load coincident with the monthly peak of the Zone where the Resident Load is physically located. Where a Network Customer or Transmission Owner has Resident Load in more than one Zone, the monthly Resident Load will be determined separately for each Zone. Where a Network Customer has designated Network Load not physically interconnected with the Transmission System under Section 31.3, the Network Customer's monthly Resident Load will be its hourly load coincident with the monthly peak of the Zone that is the basis for charges under Schedule 11.

2. **Determination of Transmission Provider’s Monthly Zone Transmission Load**

   The Transmission Provider's monthly Transmission System load shall be determined in accordance with Section 34.5 of this Tariff.

B. **Region-wide Charge to Resident Load**

Network Customers and Transmission Owners shall pay a monthly Region-wide Charge, which shall be determined by multiplying its Region-wide Load Ratio Share by one twelfth (1/12) of the Region-wide Annual Transmission Revenue Requirement specified in Attachment H.

1. **Determination of Network Customer's and Transmission Owner’s Monthly Regional Resident Load**

   The Network Customer's or Transmission Owner’s monthly regional Resident Load is the sum of its monthly zonal Resident Load for each Zone, where the monthly zonal Resident Load is determined separately for each Zone coincident with the monthly peak of the Zone in accordance with Section II.A.1.

2. **Determination of Transmission Provider’s Monthly Regional Transmission Load**

   The Transmission Provider's monthly regional Transmission System load is the sum of the monthly Zone transmission load for each Zone, where the
monthly zone transmission load for each Zone is determined on a non-coincident basis in accordance with Section II.A.2.

III. Base Plan Zonal Charge and Region-wide Charge for Point-To-Point Transmission Service

A. Base Plan Zonal Charge for Point-To-Point Transmission Service

The Base Plan Zonal Charge shall be assessed to Transmission Customers taking Firm or Non-Firm Point-To-Point Transmission Service under the SPP Tariff. The Transmission Customer shall pay the Base Plan Zonal Rate (per kW of Reserved Capacity) based upon the Zone where the load is located for Point-To-Point Transmission Service where the generation source is outside the SPP Region and the load is located within the SPP Region and for Point-To-Point Transmission Service where both the generation source and the load are located within the SPP Region. For Point-To-Point Transmission Service where the generation source is located within the SPP Region and the load is located outside of the SPP Region, and for Point-To-Point Transmission Service where both the generation source and the load are located outside of the SPP Region, the Transmission Customer shall pay the Base Plan Average Zonal Rate (per kW of Reserved Capacity). The Base Plan Zonal Rates and the Base Plan Average Zonal Rate shall be calculated in accordance with Section III.D and set forth in the Revenue Requirements and Rates File (“RRR File”) posted on the SPP website.

B. Region-wide Charge for Point-To-Point Transmission Service

The Region-wide Charge shall be assessed to Transmission Customers taking Firm or Non-Firm Point-To-Point Transmission Service under the SPP Tariff. The Transmission Customer shall pay the Region-wide Rate (per kW of Reserved Capacity) for Point-To-Point Transmission Service. The Region-wide Rate shall be calculated in accordance with Section III.C and set forth in the RRR File posted on the SPP website.

C. Region-wide Rate for Point-To-Point Transmission Service

1. Determination of Annual Region-wide Rate

The Region-wide Annual Transmission Revenue Requirement specified in Attachment H is the basis for the Region-wide Rate. The annual Region-wide Rate for Firm Point-To-Point Transmission Service shall be determined in accordance with the following formula:
RR = \frac{RATRR}{MRTL}

in which

RR = the annual Region-wide Rate

RATRR = the Region-wide Annual Transmission Revenue Requirement as specified in Attachment H

MRTL = the average of the sum of the monthly regional Transmission System load for the twelve months of the calendar year prior to the billing year. The monthly regional Transmission System load is determined in accordance with Section II.B.2.

2. Region-wide Rate for Firm Point-To-Point Transmission Service

The Region-wide Rate for Firm Point-To-Point Transmission Service shall be:

Per month = annual Region-wide Rate divided by 12;

Per week = annual Region-wide Rate divided by 52;

Per day “on-peak” = the “per week” Region-wide Rate divided by 5; provided that the rate for 5 to 7 consecutive days may not exceed the “per week” Region-wide Rate; and

Per day “off-peak” = the “per week” Region-wide Rate divided by 7.

3. Region-wide Rate for Non-Firm Point-To-Point Transmission Service

The Region-wide Rate for Non-Firm Point-To-Point Transmission Service shall be:

Per month = annual Region-wide Rate divided by 12;

Per week = annual Region-wide Rate divided by 52;

Per day “on-peak” = the “per month” Region-wide Rate multiplied by 12 then divided by 260;

Per day “off-peak” = the “per month” Region-wide Rate multiplied by 12 then divided by 365;

Per hour “on-peak” = the “per month” Region-wide Rate multiplied by 12 then divided by 4160; and

Per hour “off-peak” = the “per month” Region-wide Rate multiplied by 12 then divided by 8760.

4. Total Region-wide Charge

The total Region-wide Charge paid by a Transmission Customer pursuant to a reservation for hourly delivery shall not exceed the above on-peak daily rate
multiplied by the highest amount of Reserved Capacity in any hour during such day. The total Region-wide Charge in any week, pursuant to a reservation for hourly or daily delivery, shall not exceed the above Region-wide Rate specified for weekly delivery multiplied by the highest amount of Reserved Capacity in any hour during such week.

5. **Rate Sheet for Region-wide Point-To-Point Transmission Service**

   **Firm Point-To-Point Transmission Service**
   
   The Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity at the sum of the applicable charges set forth in the (“RRR File”) posted on the SPP website.

   **Non-Firm Point-To-Point Transmission Service**
   
   The Transmission Customer shall compensate the Transmission Provider for Non-Firm Point-To-Point Transmission Service up to the sum of the applicable charges set forth in the RRR File posted on the SPP website.

D. **Base Plan Zonal Rates for Point-To-Point Transmission Service**

1. **Determination of Annual Base Plan Zonal Rate**

   The Base Plan Zonal Annual Transmission Revenue Requirement specified in Attachment H less any amount reallocated in accordance with Section IV.A of Attachment J is the basis for the Base Plan Zonal Rates. The annual Base Plan Zonal Rates for Firm Point-To-Point Transmission Service shall be determined in accordance with the following formula for each Zone:

   \[
   BPZR = \frac{BPZATRR}{MZTL}
   \]

   in which

   \[
   \begin{align*}
   BPZR &= \text{the annual Base Plan Zonal Rate for the Zone} \\
   BPZATRR &= \text{the Base Plan Zonal Annual Transmission Revenue Requirement for the Zone as specified in Attachment H less any amount reallocated in accordance with Section IV.A of Attachment J} \\
   MZTL &= \text{the average of the sum of the monthly Zone transmission load for the Zone for the twelve months of the calendar year prior to the billing year. The monthly Zone transmission load is determined in accordance with Section II.A.2.}
   \end{align*}
   \]
2. **Base Plan Zonal Rate for Firm Point-To-Point Transmission Service**

The Base Plan Zonal Rate for Firm Point-To-Point Transmission Service for each Zone shall be:

- **Per month** = annual Base Plan Zonal Rate for the Zone divided by 12;
- **Per week** = annual Base Plan Zonal Rate for the Zone divided by 52;
- **Per day “on-peak”** = the “per week” Base Plan Zonal Rate for the Zone divided by 5; provided that the rate for 5 to 7 consecutive days may not exceed the “per week” Base Plan Zonal Rate;
- **Per day “off-peak”** = the “per week” Base Plan Zonal Rate for the Zone divided by 7.

3. **Base Plan Zonal Rate for Non-Firm Point-To-Point Transmission Service**

The Base Plan Zonal Rate for Non-Firm Point-To-Point Transmission Service for each Zone shall be:

- **Per month** = annual Base Plan Zone Rate for the Zone divided by 12;
- **Per week** = annual Base Plan Zonal Rate for the Zone divided by 52;
- **Per day “on-peak”** = the “per month” Base Plan Zonal Rate for the Zone multiplied by 12 then divided by 260;
- **Per day “off-peak”** = the “per month” Base Plan Zonal Rate for the Zone multiplied by 12 then divided by 365;
- **Per hour “on-peak”** = the “per month” Base Plan Zonal Rate for the Zone multiplied by 12 then divided by 4160; and
- **Per hour “off-peak”** = the “per month” Base Plan Zonal Rate for the Zone multiplied by 12 then divided by 8760.

4. **Base Plan Average Zonal Rate**

The total Base Plan Zonal Annual Transmission Revenue Requirement specified in Attachment H for all Zones less the total of all zonal amounts reallocated in accordance with Section IV.A of Attachment J is the basis for the Base Plan Average Zonal Rate. The annual Base Plan Average Zonal Rate for Firm Point-To-Point Transmission Service shall be determined in accordance with the following formula.
BPAZR = \( \frac{TBPZATRR}{MRTL} \)

in which

BPAZR = the annual Base Plan Average Zonal Rate

TBPZATRR = the total Base Plan Zonal Annual Transmission Revenue Requirement for all Zones as specified in Attachment H less the total of all zonal amounts reallocated in accordance with Section IV.A of Attachment J

MRTL = as defined in Section III.C.1

The Base Plan Average Zonal Rates for Firm Point-To-Point Transmission Service and Non-Firm Point-To-Point Transmission Service for each month, week, day on-peak, day off-peak, hour on-peak, and hour off-peak shall be based on the annual Base Plan Average Zonal Rate and calculated consistently with the formulas shown in Sections III.D.2 and III.D.3.

5. **Total Zonal Base Plan Charge**

The total zonal charge paid by a Transmission Customer under this Schedule 11 pursuant to a reservation for hourly delivery shall not exceed the applicable on-peak daily rate multiplied by the highest amount of Reserved Capacity in any hour during such day. The total zonal charge under this Schedule 11 in any week, pursuant to a reservation for hourly or daily delivery, shall not exceed the applicable rate specified for weekly delivery multiplied by the highest amount of Reserved Capacity in any hour during such week.

6. **Rate Sheets for Base Plan Zonal Point-To-Point Transmission Service**

   **Firm Point-To-Point Transmission Service**

   The Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity at the sum of the applicable charges set forth in the RRR File posted on the SPP website.

   **Non-Firm Point-To-Point Transmission Service**
The Transmission Customer shall compensate the Transmission Provider for Non-Firm Point-To-Point Transmission Service up to the sum of the applicable charges set forth in the RRR File posted on the SPP website.

E. **On-Peak and Off-Peak**

Off-Peak days shall be Saturdays and Sundays and all NERC holidays. All other days shall be On-Peak. All hours during Off-Peak days shall be Off-Peak. On-Peak hours during On-Peak days shall be all hours from HE 0700 through HE 2200 Central Prevailing Time. All other hours during On-Peak days shall be Off-Peak.
SCHEDULE 12
FERC ASSESSMENT CHARGE

1. INTRODUCTION

As a public utility, the Transmission Provider is subject to annual charges assessed by the Commission, pursuant to Part 382 of its regulations (the “FERC Assessment”). For each public utility, such assessment is based on the actual megawatt-hours of energy transmitted in interstate commerce during a calendar year, as reported on FERC Form 582. This Schedule 12 provides for recovery of the estimated amount to be assessed by the Commission in the next year for transmission service provided in the current year, with subsequent true-up to actual cost, when such cost is known.

2. APPLICABILITY

Except as provided herein, this charge shall apply to all energy delivered under Point-To-Point Transmission Service and Network Integration Transmission Service and to all energy delivered to Bundled Retail and Grandfathered Loads to which Section 39.1 of this Tariff applies. Pursuant to 18 C.F.R § 382.201(a), the calculation of the FERC Assessment does not include the costs of regulating the Federal Power Marketing Agencies. Therefore, charges under this Schedule 12 shall not be assessed with respect to Point-to point Transmission Service and Network Integration Transmission Service provided to Western-UGP.

3. RATE CHARGED

The charge factor developed by the Commission in the prior calendar year and applied to energy transmitted in the second prior calendar year shall be applied monthly to all energy delivered under Point-To-Point Transmission Service, Network Integration Transmission Service, and to all energy delivered to Bundled Retail and Grandfathered Loads to which Section 39.1 applies in that month.
SPP shall also include in its bills a True-Up Rate. The True-Up Rate shall be the amount of the Commission assessment billed to the Transmission Provider less the total revenue collected by the Transmission Provider under this Schedule 12 for the second prior year, divided by estimated energy to be transmitted during the current year for all energy delivered under Point-To-Point Transmission Service, Network Integration Transmission Service, and to all energy delivered to Bundled Retail and Grandfathered Loads to which Section 39.1 applies. For the first two years that this FERC Assessment Charge is effective, the True-Up rate shall be zero.

4. BILLING

SPP shall bill Transmission Customers and Transmission Owners covered by Section 39.1 the charges specified under this Schedule in accordance with the procedures in Section 7 of this Tariff.
This Network Operating Agreement ("Operating Agreement") is entered into this ____ day of __________, ____, by and between _______________ ("Network Customer"), Southwest Power Pool, Inc. ("Transmission Provider") and ___________ ("Host Transmission Owner"). The Network Customer, Transmission Provider and Host Transmission Owner shall be referred to individually as a “Party” and collectively as "Parties.”

WHEREAS, the Transmission Provider has determined that the Network Customer has made a valid request for Network Integration Transmission Service in accordance with the Transmission Provider’s Open Access Transmission Tariff ("Tariff") filed with the Federal Energy Regulatory Commission ("Commission");

WHEREAS, the Transmission Provider administers Network Integration Transmission Service for Transmission Owners within the SPP Region and acts as an agent for these Transmission Owners in providing service under the Tariff;

WHEREAS, the Host Transmission Owner(s) owns the transmission facilities to which the Network Customer’s Network Load is physically connected;

WHEREAS, the Network Customer has represented that it is an Eligible Customer under the Tariff;

WHEREAS, the Network Customer and Transmission Provider have entered into a Network Integration Transmission Service Agreement ("Service Agreement") under the Tariff; and

WHEREAS, the Parties intend that capitalized terms used herein shall have the same meaning as in the Tariff, unless otherwise specified herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein, the Parties agree as follows:

1.0 Network Service

This Operating Agreement sets out the terms and conditions under which the Transmission Provider, Host Transmission Owner, and Network Customer will cooperate and the Host Transmission Owner and Network Customer will operate their respective systems and specifies the equipment that will be installed and operated. The Parties shall operate and maintain their respective systems in a manner that will allow the Host
Transmission Owner and the Network Customer to operate their systems and the Transmission Provider to perform its obligations consistent with Good Utility Practice. The Transmission Provider may, on a non-discriminatory basis, waive the requirements of Section 4.1 and Section 8.3 to the extent that such information is unknown at the time of application or where such requirement is not applicable.

2.0 **Designated Representatives of the Parties**

2.1 Each Party shall designate a representative and alternate ("Designated Representative(s)") from their respective company to coordinate and implement, on an ongoing basis, the terms and conditions of this Operating Agreement, including planning, operating, scheduling, redispatching, curtailments, control requirements, technical and operating provisions, integration of equipment, hardware and software, and other operating considerations.

2.2 The Designated Representatives shall represent the Transmission Provider, Host Transmission Owner, and Network Customer in all matters arising under this Operating Agreement and which may be delegated to them by mutual agreement of the Parties hereto.

2.3 The Designated Representatives shall meet or otherwise confer at the request of any Party upon reasonable notice, and each Party may place items on the meeting agenda. All deliberations of the Designated Representatives shall be conducted by taking into account the exercise of Good Utility Practice. If the Designated Representatives are unable to agree on any matter subject to their deliberation, that matter shall be resolved pursuant to Section 12.0 of the Tariff, or otherwise, as mutually agreed by the Parties.

3.0 **System Operating Principles**

3.1 The Network Customer must design, construct, and operate its facilities safely and efficiently in accordance with Good Utility Practice, NERC, SPP, or any successor requirements, industry standards, criteria, and applicable manufacturer’s equipment specifications, and within operating physical parameter ranges (voltage schedule, load power factor, and other parameters) required by the Host Transmission Owner and Transmission Provider.
3.2 The Host Transmission Owner and Transmission Provider reserve the right to inspect the facilities and operating records of the Network Customer upon mutually agreeable terms and conditions.

3.3 Electric service, in the form of three phase, approximately sixty hertz alternating current, shall be delivered at designated delivery points and nominal voltage(s) listed in the Service Agreement. When multiple delivery points are provided to a specific Network Load identified in Appendix 3 of the Service Agreement, they shall not be operated in parallel by the Network Customer without the approval of the Host Transmission Owner and Transmission Provider. The Designated Representatives shall establish the procedure for obtaining such approval. The Designated Representatives shall also establish and monitor standards and operating rules and procedures to assure that transmission system integrity and the safety of customers, the public and employees are maintained or enhanced when such parallel operations is permitted either on a continuing basis or for intermittent switching or other service needs. Each Party shall exercise due diligence and reasonable care in maintaining and operating its facilities so as to maintain continuity of service.

3.4 The Host Transmission Owner and Network Customer shall operate their systems and delivery points in continuous synchronism and in accord with applicable NERC Standards, SPP Criteria, and Good Utility Practice.

3.5 If the function of any Party’s facilities is impaired or the capacity of any delivery point is reduced, or synchronous operation at any delivery point(s) becomes interrupted, either manually or automatically, as a result of force majeure or maintenance coordinated by the Parties, the Parties will cooperate to remove the cause of such impairment, interruption or reduction, so as to restore normal operating conditions expeditiously.

3.6 The Transmission Provider and Host Transmission Owner, if applicable, reserve the sole right to take any action necessary during an actual or imminent emergency to preserve the reliability and integrity of the Transmission System, limit or prevent damage, expedite restoration of service, ensure safe and reliable
operation, avoid adverse effects on the quality of service, or preserve public safety.

3.7 In an emergency, the reasonable judgment of the Transmission Provider and Host Transmission Owner, if applicable, in accordance with Good Utility Practice, shall be the sole determinant of whether the operation of the Network Customer loads or equipment adversely affects the quality of service or interferes with the safe and reliable operation of the transmission system. The Transmission Provider or Host Transmission Owner, if applicable, may discontinue transmission service to such Network Customer until the power quality or interfering condition has been corrected. Such curtailment of load, redispatching, or load shedding shall be done on a non-discriminatory basis by Load Ratio Share, to the extent practicable. The Transmission Provider or Host Transmission Owner, if applicable, will provide reasonable notice and an opportunity to alleviate the condition by the Network Customer to the extent practicable.

4.0 System Planning & Protection

4.1 No later than October 1 of each year, the Network Customer shall provide the Transmission Provider and Host Transmission Owner the following information:

a) A ten (10) year projection of summer and winter peak demands with the corresponding power factors and annual energy requirements on an aggregate basis for each delivery point. If there is more than one delivery point, the Network Customer shall provide the summer and winter peak demands and energy requirements at each delivery point for the normal operating configuration;

b) A ten (10) year projection by summer and winter peak of planned generating capabilities and committed transactions with third parties which resources are expected to be used by the Network Customer to supply the peak demand and energy requirements provided in (a);

c) A ten (10) year projection by summer and winter peak of the estimated maximum demand in kilowatts that the Network Customer plans to
acquire from the generation resources owned by the Network Customer, and generation resources purchased from others; and

d) A projection for each of the next ten (10) years of transmission facility additions to be owned and/or constructed by the Network Customer which facilities are expected to affect the planning and operation of the transmission system within the Host Transmission Owner’s Zone.

This information is to be delivered to the Transmission Provider’s and Host Transmission Owner’s Designated Representatives pursuant to Section 2.0.

4.2 Information exchanged by the Parties under this article will be used for system planning and protection only, and will not be disclosed to third parties absent mutual consent or order of a court or regulatory agency.

4.3 The Host Transmission Owner, and Transmission Provider, if applicable, will incorporate this information in its system load flow analyses performed during the first half of each year. Following completion of these analyses, the Transmission Provider or Host Transmission Owner will provide the following to the Network Customer:

a) A statement regarding the ability of the Host Transmission Owner’s transmission system to meet the forecasted deliveries at each of the delivery points;

b) A detailed description of any constraints on the Host Transmission Owner’s system within the five (5) year horizon that will restrict forecasted deliveries; and

c) In the event that studies reveal a potential limitation of the Transmission Provider’s ability to deliver power and energy to any of the delivery points, a Designated Representative of the Transmission Provider will coordinate with the Designated Representatives of the Host Transmission Owner and the Network Customer to identify appropriate remedies for such constraints including but not limited to: construction of new transmission facilities, upgrade or other improvements to existing transmission facilities or temporary modification to operating procedures designed to relieve identified constraints. Any constraints within the
Transmission System will be remedied pursuant to the procedures of Attachment O of the Tariff.

For all other constraints the Host Transmission Owner, upon agreement with the Network Customer and consistent with Good Utility Practice, will endeavor to construct and place into service sufficient capacity to maintain reliable service to the Network Customer.

An appropriate sharing of the costs to relieve such constraints will be determined by the Parties, consistent with the Tariff and with the Commission’s rules, regulations, policies, and precedents then in effect. If the Parties are unable to agree upon an appropriate remedy or sharing of the costs, the Transmission Provider shall submit its proposal for the remedy or sharing of such costs to the Commission for approval consistent with the Tariff.

4.4 The Host Transmission Owner and the Network Customer shall coordinate with the Transmission Provider: (1) all scheduled outages of generating resources and transmission facilities consistent with the reliability of service to the customers of each Party, and (2) additions or changes in facilities which could affect another Party’s system. Where coordination cannot be achieved, the Designated Representatives shall intervene for resolution.

4.5 The Network Customer shall coordinate with the Host Transmission Owner regarding the technical and engineering arrangements for the delivery points, including one line diagrams depicting the electrical facilities configuration and parallel generation, and shall design and build the facilities to avoid interruptions on the Host Transmission Owner’s transmission system.

4.6 The Network Customer shall provide for automatic and underfrequency load shedding of the Network Customer Network Load in accordance with the SPP Criteria related to emergency operations.
5.0 Maintenance of Facilities

5.1 The Network Customer shall maintain its facilities necessary to reliably receive capacity and energy from the Host Transmission Owner’s transmission system consistent with Good Utility Practice. The Transmission Provider or Host Transmission Owner, as appropriate, may curtail service under this Operating Agreement to limit or prevent damage to generating or transmission facilities caused by the Network Customer’s failure to maintain its facilities in accordance with Good Utility Practice, and the Transmission Provider or Host Transmission Owner may seek as a result any appropriate relief from the Commission.

5.2 The Designated Representatives shall establish procedures to coordinate the maintenance schedules, and return to service, of the generating resources and transmission and substation facilities, to the greatest extent practical, to ensure sufficient transmission resources are available to maintain system reliability and reliability of service.

5.3 The Network Customer shall obtain: (1) concurrence from the Transmission Provider before beginning any scheduled maintenance of facilities which could impact the operation of the Transmission System over which transmission service is administered by Transmission Provider; and (2) clearance from the Transmission Provider when the Network Customer is ready to begin maintenance on a transmission line or substation. The Transmission Provider shall coordinate clearances with the Host Transmission Owner. The Network Customer shall notify the Transmission Provider and the Host Transmission Owner as soon as practical at the time when any unscheduled or forced outages occur and again when such unscheduled or forced outages end.

6.0 Scheduling Procedures

6.1 The Network Customer is responsible for providing its Resource and load information to the Transmission Provider in accordance with Attachment AE.

6.2 For Interchange Transactions the Network Customer shall submit, or arrange to have submitted, the schedule of Energy to or from the Transmission Provider and
a transaction identification E-Tag for each such schedule where required by NERC Standard INT-001.

7.0 Ancillary Services

7.1 The Network Customer must make arrangements in appropriate amounts for all of the required Ancillary Services described in the Tariff. The Network Customer must obtain these services from the Transmission Provider or, where applicable, self-supply or obtain these services from a third party.

7.2 Where the Network Customer elects to self-supply or have a third party provide Ancillary Services, the Network Customer must demonstrate to the Transmission Provider that it has either acquired the Ancillary Services from another source or is capable of self-supplying the services.

7.3 The Network Customer must designate the supplier of Ancillary Services.

8.0 Metering

8.1 The Network Customer shall provide for the installation of meters, associated metering equipment and telemetering equipment. The Network Customer shall permit (or provide for, if the Network Customer is not the meter owner) the Transmission Provider’s and Host Transmission Owner’s representative to have access to the equipment at all reasonable hours and for any reasonable purpose, and shall not permit unauthorized persons to have access to the space housing the equipment. Network Customer shall provide to (or provide for, if the Network Customer is not the meter owner) the Host Transmission Owner access to load data and other data available from any delivery point meter. If the Network Customer does not own the meter, the Host Transmission Owner shall make available, upon request, all load data and other data obtained by the Host Transmission Owner from the relevant delivery point meter, if available utilizing existing equipment. The Network Customer will cooperate on the installation of advanced technology metering in place of the standard metering equipment at a delivery point at the expense of the requestor; provided, however, that meter owner shall not be obligated to install, operate or maintain any meter or related
equipment that is not approved for use by the meter owner and/or Host Transmission Owner, and provided that such equipment addition can be accomplished in a manner that does not interfere with the operation of the meter owner’s equipment or any Party’s fulfillment of any statutory or contractual obligation.

8.2 The Network Customer shall provide for the testing of the metering equipment at suitable intervals and its accuracy of registration shall be maintained in accordance with standards acceptable to the Transmission Provider and consistent with Good Utility Practice. At the request of the Transmission Provider or Host Transmission Owner, a special test shall be made, but if less than two percent inaccuracy is found, the requesting Party shall pay for the test. Representatives of the Parties may be present at all routine or special tests and whenever any readings for purposes of settlement are taken from meters not having an automated record. If any test of metering equipment discloses an inaccuracy exceeding two percent, the accounts of the Parties shall be adjusted. Such adjustment shall apply to the period over which the meter error is shown to have been in effect or, where such period is indeterminable, for one-half the period since the prior meter test. Should any metering equipment fail to register, the amounts of energy delivered shall be estimated from the best available data.

8.3 If the Network Customer is supplying energy to retail load that has a choice in its supplier, the Network Customer shall be responsible for providing all information required by the Transmission Provider for billing purposes. Metering information shall be available to the Transmission Provider either by individual retail customer or aggregated retail energy information for that load the Network Customer has under contract during the billing month. For the retail load that has interval demand metering, the actual energy used by interval must be supplied. For the retail load using standard kWh metering, the total energy consumed by meter cycle, along with the estimated demand profile must be supplied. All rights and limitations between Parties granted in Sections 8.1, and 8.2 are applicable in regards to retail metering used as the basis for billing the Network Customer.
9.0 Connected Generation Resources

9.1 The Network Customer’s connected generation resources that have automatic generation control and automatic voltage regulation shall be operated and maintained consistent with regional operating standards, and the Network Customer or the operator shall operate, or cause to be operated, such resources to avoid adverse disturbances or interference with the safe and reliable operation of the transmission system as instructed by the Transmission Provider.

9.2 For all Network Resources of the Network Customer, the following generation telemetry readings shall be submitted to the Transmission Provider and Host Transmission Owner:

1) Analog MW;
2) Integrated MWHRS/HR;
3) Analog MVARS; and
4) Integrated MVARHRS/HR.

10.0 Redispatching, Curtailment and Load Shedding

10.1 In accordance with Section 33 of the Tariff, the Transmission Provider may require redispatching of Resources to relieve existing or potential transmission system constraints. The Transmission Provider shall redispatch Resources in accordance with the Energy and Operating Reserve Markets operations specified in Attachment AE. The Network Customer shall respond immediately to requests for redispatch from the Transmission Provider. The Transmission Provider will bill or credit the Network Customer as appropriate using the settlement procedures specified in Attachment AE.

10.2 The Parties shall implement load-shedding procedures to maintain the reliability and integrity for the Transmission System as provided in Section 33.1 of the Tariff and in accordance with applicable NERC and SPP requirements and Good Utility Practice. Load shedding may include (1) automatic load shedding, (2) manual load shedding, and (3) rotating interruption of customer load. When manual load shedding or rotating interruptions are necessary, the Host Transmission Owner shall notify the Network Customer’s dispatcher or schedulers of the required action and the Network Customer shall comply immediately.

10.3 The Network Customer will coordinate with the Host Transmission Owner to ensure sufficient load shedding equipment is in place on their respective systems to meet SPP requirements. The Network Customer and the Host Transmission Owner shall develop a plan for load shedding which may include manual load shedding by the Network Customer.
11.0 Communications

11.1 The Network Customer shall, at its own expense, install and maintain communication link(s) for scheduling. The communication link(s) shall be used for data transfer and for voice communication.

11.2 A Network Customer self-supplying Ancillary Services or securing Ancillary Services from a third-party shall, at its own expense, install and maintain telemetry equipment communicating between the generating resource(s) providing such Ancillary Services and the Host Transmission Owner's Zone.

12.0 Cost Responsibility

12.1 The Network Customer shall be responsible for all costs incurred by the Network Customer, Host Transmission Owner, and Transmission Provider to implement the provisions of this Operating Agreement including, but not limited to, engineering, administrative and general expenses, material and labor expenses associated with the specification, design, review, approval, purchase, installation, maintenance, modification, repair, operation, replacement, checkouts, testing, upgrading, calibration, removal, and relocation of equipment or software, so long as the direct assignment of such costs is consistent with Commission policy.

12.2 The Network Customer shall be responsible for all costs incurred by Network Customer, Host Transmission Owner, and Transmission Provider for on-going operation and maintenance of the facilities required to implement the provisions of this Operating Agreement so long as the direct assignment of such costs is consistent with Commission policy. Such work shall include, but is not limited to, normal and extraordinary engineering, administrative and general expenses, material and labor expenses associated with the specifications, design, review, approval, purchase, installation, maintenance, modification, repair, operation, replacement, checkouts, testing, calibration, removal, or relocation of equipment required to accommodate service provided under this Operating Agreement.

13.0 Billing and Payments

Billing and Payments shall be in accordance with Attachment AE and Section 7 of the Tariff.

14.0 Dispute Resolution

Any dispute among the Parties regarding this Operating Agreement shall be resolved pursuant to Section 12 of the Tariff, or otherwise, as mutually agreed by the Parties.
15.0 Assignment

This Operating Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and assigns, but shall not be assigned by any Party, except to successors to all or substantially all of the electric properties and assets of such Party, without the written consent of the other Parties; provided, however, in the case of a Federal Power Marketing Agency written consent is required for any assignment of this Operating Agreement. Such written consent shall not be unreasonably withheld.

16.0 Choice of Law

The interpretation, enforcement, and performance of this Operating Agreement shall be governed by the laws of the State of Arkansas, except (i) laws and precedent of such jurisdiction concerning choice of law shall not be applied, or (ii) except to the extent governed by the laws of the United States of America.

17.0 Entire Agreement

The Tariff and Service Agreement, as they are amended from time to time, are incorporated herein and made a part hereof. To the extent that a conflict exists between the terms of this Operating Agreement and the terms of the Tariff, the Tariff shall control.

18.0 Unilateral Changes and Modifications

Nothing contained in this Operating Agreement or any associated Service Agreement shall be construed as affecting in any way the right of the Transmission Provider or a Transmission Owner unilaterally to file with the Commission, or make application to the Commission for, changes in rates, charges, classification of service, or any rule, regulation, or agreement related thereto, under section 205 of the Federal Power Act and pursuant to the Commission’s rules and regulations promulgated thereunder, or under other applicable statutes or regulations.

Nothing contained in this Operating Agreement or any associated Service Agreement shall be construed as affecting in any way the ability of any Network Customer receiving Network Integration Transmission Service under the Tariff to exercise any right under the Federal Power Act and pursuant to the Commission’s rules and regulations promulgated thereunder; provided, however, that it is expressly recognized that this Operating Agreement is necessary for the implementation of the Tariff and Service Agreement. Therefore, no Party shall propose a change to this Operating Agreement that is inconsistent with the rates, terms and conditions of the Tariff and/or Service Agreement.

19.0 Term
This Operating Agreement shall become effective on the date assigned by the Commission (“Effective Date”), and shall continue in effect until the Tariff or the Network Customer’s Service Agreement is terminated, whichever shall occur first.

20.0 Notice

20.1 Any notice that may be given to or made upon any Party by any other Party under any of the provisions of this Operating Agreement shall be in writing, unless otherwise specifically provided herein, and shall be considered delivered when the notice is personally delivered or deposited in the United States mail, certified or registered postage prepaid, to the following:

[Transmission Provider]
[name]
[title]
[address]
[phone]
[fax]
[email address]

[Host Transmission Owner]
[name]
[title]
[address]
[phone]
[fax]
[email address]

[Network Customer]
[name]
[title]
[address]
[phone]
[fax]
[email address]

Any Party may change its notice address by written notice to the other Parties in accordance with this Article 20.

20.2 Any notice, request, or demand pertaining to operating matters may be delivered in writing, in person or by first class mail, e-mail, messenger, or facsimile transmission as may be appropriate and shall be confirmed in writing as soon as reasonably practical thereafter, if any Party so requests in any particular instance.
21.0 Execution in Counterparts

This Operating Agreement may be executed in any number of counterparts with the same effect as if all Parties executed the same document. All such counterparts shall be construed together and shall constitute one instrument.

IN WITNESS WHEREOF, the Parties have caused this Operating Agreement to be executed by their respective authorized officials, and copies delivered to each Party, to become effective as of the Effective Date.

<table>
<thead>
<tr>
<th>TRANSMISSION PROVIDER</th>
<th>HOST TRANSMISSION OWNER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signature</td>
<td>Signature</td>
</tr>
<tr>
<td>Printed Name</td>
<td>Printed Name</td>
</tr>
<tr>
<td>Title</td>
<td>Title</td>
</tr>
<tr>
<td>Date</td>
<td>Date</td>
</tr>
</tbody>
</table>

NETWORK CUSTOMER

Signature

Printed Name

Title

Date
SECTION I: General Requirements

1. The Zonal Annual Transmission Revenue Requirement (“Zonal ATRR”) for each Transmission Owner for purposes of determining the charges under Schedule 9, Network Integration Transmission Service, is specified in Column (3) Section I, of Table 1. The Base Plan Zonal Annual Transmission Revenue Requirement (“Base Plan Zonal ATRR”) 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) Section I, of Table 1. The Base Plan Zonal ATRR used to determine the zonal charges under Schedule 11 for Base Plan Upgrades issued an NTC on or after June 19, 2010 and needed before October 1, 2015 is specified in Column (5) of Section I, Table 1. The amount of Zonal ATRR and Base Plan Zonal ATRR that is included in Columns (3), (4), (5), and (7) and reallocated to the Region-wide Annual Transmission Revenue Requirement (“Region-wide ATRR”), in accordance with Attachment J, is specified in Column (6) of Section I, Table 1. The Base Plan Zonal ATRR to pay Upgrade Sponsors in accordance with Attachment Z2 for Projects first needed before October 1, 2015 is specified in Column (7) of Section I, Table 1. The Base Plan Zonal ATRR used to determine the zonal charges under Schedule 11 for Base Plan Upgrades needed on or after October 1, 2015 and issued a NTC is specified in Column (8) Section I, of Table 1. The Base Plan Zonal ATRR to pay Upgrade Sponsors in accordance with Attachment Z2 for Projects first needed on or after October 1, 2015 is specified in Column (9) of Section I, Table 1.
<table>
<thead>
<tr>
<th>Zone</th>
<th>Zonal ATRR</th>
<th>Base Plan Zonal ATRR for Projects with NTCs issued before June 19, 2010</th>
<th>Base Plan Zonal ATRR after for Projects with NTCs issued on or after June 19, 2010 and needed before October 1, 2015</th>
<th>ATRR Reallocated to Balanced Portfolio Region-wide ATRR</th>
<th>Base Plan Zonal ATRR to pay Upgrade Sponsors for Projects first needed before October 1, 2015</th>
<th>Base Plan Zonal ATRR to pay Upgrade Sponsors for Projects first needed on or after October 1, 2015</th>
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Note A: The Annual Transmission Revenue Requirements (“ATRR”) for each Zone are set forth in the Revenue Requirements and Rates File (“RRR File”) posted on the SPP website.

2. For the purposes of determining the Region-wide Charges under Schedule 11, the Region-wide ATRR, as shown in Line 96 of Section I, Table 2, shall be the sum of (i) the Base Plan Region-wide Annual Transmission Revenue Requirements (“Base Plan Region-wide ATRR”) (reflected in Line 1, Line 2 and Line 23), (ii) the total Balanced Portfolio Region-wide Annual Transmission Revenue Requirements (“Balanced Portfolio Region-wide ATRR”) (reflected in Line 43 and Line 45) and (iii) the Base Plan Region-wide ATRR to pay Upgrade Sponsors (reflected in Line 56 and Line 7) determined in accordance with Attachment Z2 of this Tariff.

For the purposes of determining the Region-wide Charges under Schedule 11 applicable to the use of UMZ in Eastern Interconnection (except for Western-UGP Federal Service Exemption), the Region-wide ATRR, as shown in Line 8 of Section I, Table 2, shall be the sum of (i) the Base Plan Region-wide Annual Transmission Revenue Requirements (“Base Plan Region-wide ATRR for facilities needed on or after October 1, 2015”) (reflected in Line 3), and (ii) the Base Plan Region-wide ATRR to pay Upgrade...
Sponsors for facilities needed on or after October 1, 2015 (reflected in Line 7) determined in accordance with Attachment Z2 of this Tariff.

Table 2
(See Note B below)

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Applicable to exclusive use of UMZ in Western Interconnection or Western-UGP Federal Service Exemption</th>
<th>Applicable to use of UMZ in Eastern Interconnection (except for Western-UGP Federal Service Exemption)</th>
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<td>Base Plan Region-wide ATRR (NTC prior to June 19, 2010)</td>
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<td>2</td>
<td>Base Plan Region-wide ATRR (NTC on or after June 19, 2010 and needed before October 1, 2015)</td>
<td>See Att. H tab, posted RRR File</td>
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<td>3</td>
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<td>4</td>
<td>Total ATRR reallocated to Balanced Portfolio Region-wide ATRR from Column (6), Section I, Table 1</td>
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<td>Balanced Portfolio Region-wide ATRR</td>
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<td>6</td>
<td>Base Plan Region-wide ATRR to pay Upgrade Sponsors (Needed before October 1, 2015)</td>
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<td>N/A</td>
</tr>
<tr>
<td>7</td>
<td>Base Plan Region-wide ATRR to pay Upgrade Sponsors (Needed on or after October 1, 2015)</td>
<td>See Att. H tab, posted RRR File</td>
<td>N/A</td>
</tr>
<tr>
<td>8</td>
<td>Total Region-wide ATRR applicable to UMZ (Line 3 + Line 7)</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>9</td>
<td>Total Region-wide ATRR applicable to Zones 1 through 18 (Line 1 + Line 2 + Line 3 + Line 4 + Line 5 + Line 6 + Line 7)</td>
<td>See Att. H tab, posted RRR File</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Note B: The Region-wide ATRRs are set forth in the RRR File posted on the SPP website.

3. A Transmission Owner’s revenue requirement referenced or stated in this Attachment H shall not be changed absent a filing with the Commission, accompanied by all necessary cost support, unless such Transmission Owner utilizes Commission-approved formula rate processes contained in this Tariff to determine its revenue requirements.

4. A new or amended revenue requirement referenced or stated 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 update that Transmission Owner’s revenue requirements posted on the SPP website. Such update by the Transmission Provider shall not require a filing with the Commission, provided that the Transmission Owner posts the populated formula rate for public review and comment as required under the applicable protocols and/or procedures contained in this Attachment H. 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 ATRRs in Section I, Table 2 above and to the appropriate Base Plan Zonal ATRR in Column (4), (5) or (58) in Section I, Table 1.
ATTACHMENT J
Recovery Of Costs Associated With New Facilities

I. Direct Assignment Facilities

Where a System Impact and/or Facilities Study indicates the need to construct Direct Assignment Facilities to accommodate a request for Transmission Service, the Transmission Customer shall be charged the full cost of such Direct Assignment Facilities. Such costs shall be specified in a Service Agreement.

II. Network Upgrades

Where applicable the costs of completed Network Upgrades shall be allocated as specified in Sections III, IV, V, and VI of this Attachment. The revenue requirements of Base Plan Upgrades, approved Balanced Portfolios, and approved Interregional Projects will be recovered through Schedule 11, subject to filing such rate or revenue requirements with the Commission, and where applicable Directly Assigned Upgrade Costs. These costs may be recovered in whole or in part through the Base Plan Zonal Charge, Base Plan Region-wide Charge, and/or a direct assignment charge. The cost allocable to each of these charges shall be determined in accordance with Section III of this Attachment. The revenue requirements for other Network Upgrades may be recovered by Transmission Owners through Schedules 7, 8, and 9 subject to their filing such rate or revenue requirements with the Commission.

III. Base Plan Upgrades

A single Base Plan Upgrade is comprised of any upgrade or group of upgrades required to be made to a single transmission circuit, where a transmission circuit is comprised of all load carrying elements between circuit breakers or the comparable switching devices. A load carrying element within a Base Plan Upgrade that is connected at two different voltage levels (e.g. a 345kV/138kV transformer) shall, for the purposes of this Attachment J, be considered to have a nominal operating voltage of its lower voltage level (excluding any tertiary windings) and its costs shall be allocated in accordance with the rules governing the lower voltage level in this Attachment J. A waiver may be requested to use a transformer’s higher voltage level instead of the lower voltage level for the purposes of cost allocation under this Attachment J based on the anticipated utilization of the transformer. Such request must be made in writing with supporting analysis and submitted to the Transmission Provider not later than one hundred eighty (180) days following the inclusion of the transformer in an approved SPP Transmission Expansion Plan. Any waiver request submitted shall be evaluated based upon the following general factors, including but not limited to: (i) whether the power flows through the transformer predominately are from the lower voltage to the higher voltage; (ii) whether the
transformer is not necessary for the support of, or does not substantially benefit, the lower voltage system in the host zone to which it is connected. The Transmission Provider shall make a recommendation to accept or deny the waiver, on a non-discriminatory basis, to the Markets and Operations Policy Committee. The Markets and Operations Policy Committee will consider the waiver request and the Transmission Provider’s recommendation, and will provide its own recommendation (along with the Transmission Provider’s recommendation) regarding such waiver to the SPP Board of Directors. Barring unusual circumstances, the recommendation to approve or reject such waiver request will be submitted to the SPP Board of Directors within one hundred twenty (120) days following the receipt of the waiver request.

A. Allocation of Base Plan Upgrade Costs Eligible for Cost Allocation

1. If the cost of a Base Plan Upgrade is less than or equal to $100,000, the annual transmission revenue requirement associated with such Base Plan Upgrade shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement of the Zone in which the Base Plan Upgrade is located.

2. If a) the Base Plan Upgrade: a) is included in and constructed pursuant to the SPP Transmission Expansion Plan in order to ensure the reliability of the Transmission System; b) is deemed to be an initial Base Plan Upgrade of Basin Electire Power Cooperative and included in Appendix 1 to Attachment J; c) or is an approved high priority upgrade, and the cost for that upgrade is not allocable under Section III.A.1; or b) is the Base Plan Upgrade cost eligible for cost allocation under Section III.B.1 and is not associated with a new or changed Designated Resource for a wind generation plant, then:

   i. X% of the annual transmission revenue requirement associated with such Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Region-wide Annual Transmission Revenue Requirement and recovered through the Region-wide Charge, where X shall be set as follows:

   a. For all Base Plan Upgrades issued a Notification to Construct prior to June 19, 2010 or whose nominal operating voltage level is less than 300 kV but greater than 100 kV, X shall be 33%.

   b. For all other Base Plan Upgrades whose nominal operating voltage level is greater than or equal to 300 kV, X shall be 100%.

   c. For all other Base Plan Upgrades whose nominal operating voltage level is less than or equal to 100 kV, X shall be 0%.
ii. (100-X)% of the annual transmission revenue requirement associated with such Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement and recovered through the Base Plan Zonal Charge as follows:

a. For Base Plan Upgrades issued a Notification to Construct prior to June 19, 2010, this portion of the annual transmission revenue requirement for Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement of specific Zones based on the Zones’ share of the incremental positive MW-mile benefits as computed in Section 4 of Attachment S to this Tariff. Each Zone with a benefit of at least 10 MW-miles from a given Base Plan Upgrade shall be allocated a portion of the Base Plan Zonal Annual Transmission Revenue Requirement for such upgrade based on its incremental positive MW-mile benefit divided by the sum of the incremental positive MW-mile benefits for all of those Zones with a benefit of at least 10 MW-miles from the upgrade, provided that such allocation represents an engineering and construction cost of at least $100,000.

b. For all other Base Plan Upgrades, this portion of the annual transmission revenue requirement for Base Plan Upgrade costs eligible for cost allocation shall be allocated solely to the Base Plan Zonal Annual Transmission Revenue Requirement of the Zone in which the Base Plan Upgrade is located.

3. If the Base Plan Upgrade cost eligible for cost allocation under Section III.B.1 of Attachment J is a) associated with a new or changed Designated Resource that is a wind generation plant and b) the Base Plan Upgrade is located within the same zone as the Transmission Customer’s Point of Delivery, then:

i. X% of the annual transmission revenue requirement associated with the portion of the Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Region-wide Annual Transmission Revenue Requirement and recovered through the Base Plan Region-wide Charge, where X shall be set as follows:
a. For Base Plan Upgrades issued a Notification to Construct prior to June 19, 2010 or whose nominal operating voltage level is less than 300 kV and greater than 100 kV, X shall be 33%.

b. For all other Base Plan Upgrades whose nominal operating voltage level is greater than or equal to 300 kV, X shall be 100%.

c. For all other Base Plan Upgrades whose nominal operating voltage level is less than or equal to 100 kV, X shall be 0%.

ii. (100-X)% of the annual transmission revenue requirement associated with the portion of the Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement and recovered through the Base Plan Zonal Charge as follows:

a. For Base Plan Upgrades issued a Notification to Construct prior to June 19, 2010, this portion of the annual transmission revenue requirement for Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement of specific Zones based on the Zones’ share of the incremental positive MW-mile benefits as computed in Section 4 of Attachment S to this Tariff. Each Zone with a benefit of at least 10 MW-miles from a given Base Plan Upgrade shall be allocated a portion of the Base Plan Zonal Annual Transmission Revenue Requirement for such upgrade based on its incremental positive MW-mile benefit divided by the sum of the incremental positive MW-mile benefits for all of those Zones with a benefit of at least 10 MW-miles from the upgrade, provided that such allocation represents an engineering and construction cost of at least $100,000.

b. For all other Base Plan Upgrades, this portion of the annual transmission revenue requirement for Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Zonal Annual Transmission Revenue Requirement of the Zone in which the Base Plan Upgrade is located.

4. If the Base Plan Upgrade cost eligible for cost allocation under Section III.B.1 of Attachment J is a) associated with a new or changed Designated Resource that is a wind
generation plant and b) the Base Plan Upgrade is located within a zone(s) other than the Transmission Customer’s Point of Delivery, then:

i. Y% of the annual transmission revenue requirement associated with the Base Plan Upgrade costs eligible for cost allocation shall be allocated to the Base Plan Region-wide Annual Transmission Revenue Requirement and recovered through the Base Plan Region-wide Charge, where Y shall be set as follows:
   a. For Base Plan Upgrades issued a Notification to Construct prior to June 19, 2010 or whose nominal operating voltage level is less than 300 kV, Y shall be 67%.
   b. For all other Base Plan Upgrades Y shall be 100%.

ii. (100-Y)% of the annual transmission revenue requirement associated with the Base Plan Upgrade costs eligible for cost allocation shall be directly assigned to the Transmission Customer.

B. Conditions for Classifying Service Upgrade Costs Associated with Designated Resources As Base Plan Upgrade Costs Eligible for Cost Allocation

1. Except as provided in Section III.A.1 and subject to the limits and rules set forth in Subsections d and f below, the costs of Service Upgrades associated with new or changed Designated Resources shall be classified as Base Plan Upgrade costs eligible for cost allocation if the conditions in the following Subsections a and b are met, and if the condition in Subsection c is met as applicable.

   a. The Transmission Customer’s commitment to the Designated Resource has a duration of at least five years

   b. In the first year the Designated Resource is planned to be used by the Transmission Customer, the accredited capacity of the Transmission Customer’s existing Designated Resources plus the lesser of: (a) the planned maximum net dependable capacity applicable to the Transmission Customer or (b) the requested capacity; shall not exceed 125% of the Transmission Customer’s projected system peak responsibility determined pursuant to SPP Criteria 2.

   c. If the Designated Resource is a wind generation plant, then the sum of: (1) the requested capacity and (2) the transmission capacity reserved for the Transmission Customer’s existing Designated Resources that are wind generation plants shall not exceed 20% of the Transmission Customer’s projected system peak responsibility.
peak responsibility as determined pursuant to SPP Criteria 2 in the first year the Designated Resource is planned to be used by the Transmission Customer.

d. Safe Harbor Cost Limit for Eligibility of the Costs of Base Plan Upgrade for Cost Allocation
i. For Base Plan Upgrades that cost over $100,000, the aggregate cost of such upgrades assigned to each individual transmission service request that is less than or equal to the Safe Harbor Cost Limit of $180,000 / MW times the requested capacity is eligible for cost allocation in accordance with:
   1) Section III.A.2 for a new or changed Designated Resource other than a wind generation plant; or
   2) Sections III.A.3 and 4 for a new or changed Designated Resource that is a wind generation plant.

ii. Unless a waiver of the Safe Harbor Cost Limit is granted pursuant to Section III.C, any costs that exceed the Safe Harbor Cost Limit for a transmission service request shall be directly assigned to the Transmission Customer and allocated among the upgrades affected by the transmission service request in accordance with Section V.c of Attachment Z1 of this Tariff.

e. Base Plan Upgrade costs eligible for allocation as a result of the granting of a waiver shall be allocated in accordance with Sections III.A.2, III.A.3, or III.A.4, as applicable.

f. For each transmission service request, the amount of Base Plan Upgrade costs eligible for cost allocation shall be allocated among all Upgrades required to grant the transmission service request based upon the remaining cost after allocation of any Directly Assigned Upgrade Costs in accordance with Section III.B.1(d)(ii) of this Attachment J.

2. The Transmission Customer must provide the Transmission Provider the information that the Transmission Provider deems necessary to verify that the new or changed Designated Resource meets conditions in Section III.B.1.a, b and c above.

3. If an upgrade for a new or changed Designated Resource meets the requirements set forth in Section III.B.1.a, b, and c above, the costs up to the $180,000/MW Safe Harbor Cost Limit will be classified as Base Plan Upgrade costs eligible for cost allocation.
4. If the conditions set forth in Section III.B.1.a, b, and c above are not met, and the Transmission Customer does not secure a waiver of the relevant condition(s), the costs of the upgrades will be directly assigned to the Transmission Customer. If the costs of upgrades associated with a new or changed Designated Resource exceed the Safe Harbor Cost Limit and the Transmission Customer does not secure a waiver of that limit, the costs of the upgrades in excess of the limit will be directly assigned to the Transmission Customer. The Transmission Customer shall receive transmission revenue credits in accordance with Attachment Z2 to this Tariff for any such directly assigned costs.

C. Waiver of Conditions for Classifying Service Upgrade Costs Associated with Designated Resources As Base Plan Upgrade Costs Eligible for Cost Allocation

1. Waiver Process

If one or more of the conditions in Section III.B.1.a, b, c are not met or if the Base Plan Upgrade cost exceeds the Safe Harbor Cost Limit, the Transmission Customer may seek a waiver from the Transmission Provider in order that the costs of any Service Upgrade(s) that otherwise would be directly assigned to the Transmission Customer may be classified in whole or in part as Base Plan Upgrade costs eligible for cost allocation.

To obtain a waiver for the conditions set forth in Section III.B.1.a, b, c, the Transmission Customer must submit a request for a waiver to the Transmission Provider simultaneous with its request for long-term transmission service, submitted in accordance with Attachment Z1 to this Tariff, for the new or changed Designated Resource.

Aggregate Facilities Studies performed by the Transmission Provider as part of the Aggregate Transmission Service Study procedure, which is described in Attachment Z1, will determine whether the costs for Service Upgrades associated with a new or changed Designated Resource might exceed the Safe Harbor Cost Limit. If the Transmission Provider determines that the costs for Service Upgrades associated with a new or changed Designated Resource might exceed the Safe Harbor Cost Limit, the Transmission Provider shall notify the affected Transmission Customer when the Transmission Provider posts the associated Facilities Study. The affected Transmission Customer may request a waiver regarding the costs in excess of the Safe Harbor Cost Limit within 15 days of such notice from the Transmission Provider.

Following the receipt of a request for a waiver, the Transmission Provider will review the request and make a determination on a non-discriminatory basis of whether a waiver should be granted based upon consideration of the factors described in Section III.C.2. of this Attachment. The Transmission Customer requesting the waiver shall be responsible for the reasonable costs
of any studies that the Transmission Provider performs in making its determination. The
Transmission Provider will provide a report and recommendation to the Markets and Operations
Policy Committee for each requested waiver. The Markets and Operations Policy Committee
will consider the waiver request and the Transmission Provider’s report and recommendation,
and will provide its own recommendation (along with the Transmission Provider’s report and
recommendation) regarding each requested waiver to the SPP Board of Directors. Barring
unusual circumstances, a valid waiver request will be reviewed and submitted to the SPP Board
of Directors within 120 days following the receipt of the waiver request.

2. **Factors to be Considered in Evaluating Waiver Requests**

Any waiver request submitted by a Transmission Customer pursuant to Section III.C.1. of
this Attachment shall be evaluated based upon the following general factors, including but not
limited to:

i. There are insufficient competitive resource alternatives for one or more Transmission
   Customers.

ii. In the event that the aggregate costs of a Service Upgrade associated with a new or
    changed Designated Resource exceed the Safe Harbor Cost Limit, (i) those costs up to
    the level of the Safe Harbor Cost Limit shall be classified as Base Plan Upgrade costs
    eligible for cost allocation, and (ii) those costs that exceed the Safe Harbor Cost Limit
    may be classified in whole or in part as Base Plan Upgrade costs eligible for cost
    allocation taking into account the extent to which the duration of the Transmission
    Customer’s commitment to the new or changed Designated Resource exceeds the five-
    year commitment period set forth in paragraph III.B.1. above.

iii. The five-year commitment period for the new or changed Designated Resource may be
    waived if: (i) the associated Service Upgrade costs are significantly less than the Safe
    Harbor Cost Limit; or (ii) the associated Service Upgrades provide benefits to other
    Transmission Customers that would offset in less than five years any costs allocated to
    them as a result of the upgrade being classified as a Base Plan Upgrade.

iv. If a request for a waiver is received by the Transmission Provider based upon other
    circumstances, such waiver request shall also be considered pursuant to the waiver
    process described in Section III.C.1. of this Attachment.

If the costs of the Service Upgrade(s) required for a new or changed Designated Resource
are not eligible for classification as Base Plan Upgrade costs, the Transmission Customer may
nevertheless request the construction of such upgrades. In such event, the costs of such upgrades shall be allocated in accordance with Attachment Z1 to this Tariff.

D. **Review of Base Plan Allocation Methodology**

1. The Transmission Provider shall review the reasonableness of the regional allocation methodology and factors (X% and Y%) and the zonal allocation methodology at least once every three years in accordance with this Section III.D. The Transmission Provider and/or the Regional State Committee may initiate such review at any time. Any change in the regional allocation methodology and factors or the zonal allocation methodology shall be filed with the Commission.

2. For each review conducted in accordance with Section III.D.1, the Transmission Provider shall determine the cost allocation impacts of the Base Plan Upgrades with Notifications to Construct issued after June 19, 2010 to each pricing Zone within the SPP Region. The Transmission Provider in collaboration with the Regional State Committee shall determine the cost allocation impacts utilizing the analysis specified in Section III.e of Attachment O and the results produced by the analytical methods defined pursuant to Section III.D.4(i) of this Attachment J.

3. The Transmission Provider shall review the results of the cost allocation analysis with SPP’s Regional Tariff Working Group, Markets and Operations Policy Committee, and the Regional State Committee. The Transmission Provider shall publish the results of the cost allocation impact analysis and any corresponding presentations on the SPP website.

4. The Transmission Provider shall request the Regional State Committee provide its recommendations, if any, to adjust or change the costs allocated under this Attachment J if the results of the analysis show an imbalanced cost allocation in one or more Zones.

   i) One year prior to each three-year planning cycle (starting in 2013) the Markets and Operations Policy Committee and Regional State Committee will define the analytical methods to be used to report under this Section III.D and suggest adjustments to the Regional State Committee and Board of Directors on any imbalanced zonal cost allocation in the SPP footprint; and

   ii) Starting in 2015 and at any time thereafter, any member company that feels that it has an imbalanced cost allocation may request relief through the Markets and Operations Policy Committee. The Markets and Operations Policy Committee recommendation, if any, will be forwarded with the request for relief to the Regional State Committee and Board of Directors for review.
5. In accordance with the SPP Bylaws, the SPP Board of Directors will initiate the appropriate actions, including any necessary filings with the Commission, consistent with the Regional State Committee recommendations.

IV. Approved Balanced Portfolios

One hundred percent (100%) of the annual transmission revenue requirement for an approved Balanced Portfolio shall be recovered through the Region-wide Charge.

A. Re-allocation of Zonal Revenue Requirements for Deficient Zone(s)

For an approved Balanced Portfolio, the balance may have been achieved by transferring a portion of the Base Plan Zonal Annual Transmission Revenue Requirement and/or the Zonal Annual Transmission Revenue Requirement (“Reallocated Revenue Requirements”) from the deficient Zone(s) to the Balanced Portfolio Region-wide Annual Transmission Revenue Requirement in accordance with Section IV.4.c of Attachment O to this Tariff.

1. Implementation of Reallocated Revenue Requirements

The initial reallocation of the Reallocated Revenue Requirements from the deficient Zone(s) to the Balanced Portfolio Region-wide Annual Transmission Revenue Requirement shall occur when at least 10% of the estimated levelized annual transmission revenue requirements for the approved Balanced Portfolio has been included in rates under the Tariff (the “Trigger Date”).

On the Trigger Date and on the anniversary of the Trigger Date in each of the subsequent four years, 20% of the Reallocated Revenue Requirements required to balance the portfolio for the deficient Zone(s), as estimated in accordance with Section IV.4.c of Attachment O to this Tariff, shall be reallocated to the Balanced Portfolio Region-wide Annual Transmission Revenue Requirement. However, if all the upgrades in the approved Balanced Portfolio are completed and included in rates under the Tariff and the actual costs of any third party impacts identified under Section IV.3.c of Attachment O are determined prior to the fourth anniversary of the Trigger Date, the remaining Reallocated Revenue Requirements shall be reallocated and the true-up specified in Section IV.A.2 of this Attachment shall be performed.

The reallocation of the Reallocated Revenue Requirements shall be from the Base Plan Zonal Annual Transmission Revenue Requirement of the deficient Zone(s) first, then, if necessary, from the Zonal Annual Transmission Revenue Requirement of the deficient Zone(s).
2. **Final Reallocation of Reallocated Revenue Requirements and True-up**

Upon the completion and inclusion in rates under the Tariff of all of the upgrades that are part of the approved Balanced Portfolio and the determination of the actual cost of any third party impacts attributable to the Balanced Portfolio under Section IV.3.c of Attachment O, the final amount of costs to be reallocated from the Reallocated Revenue Requirements for the deficient Zone(s) to the Balanced Portfolio Region-wide Annual Transmission Revenue Requirement to balance the approved Balanced Portfolio shall be true-up based on the applicable fixed charge rate and actual costs. This true-up shall result in Reallocated Revenue Requirements for the deficient Zone(s) that are sufficient to achieve balance over the ten-year period analyzed in accordance with Section IV.4.c of Attachment O. For each deficient Zone, this shall include annual reallocation amounts in the remaining years that are increased to a level adequate to offset, on a present value basis, the lower amount of reallocation resulting from implementation of the Reallocated Revenue Requirements in 20% annual increments as described in Section IV.A.1 of this Attachment such that the present value of the total amount of the reallocation for each Zone is consistent with Section IV.4.c of Attachment O. The final reallocation shall be performed using the same benefits estimated at the time the Balanced Portfolio was approved.

Notwithstanding the foregoing, if the ten-year net present value of levelized annual transmission revenue requirements based on actual costs and third party impact costs under Section IV.3.c of Attachment O exceeds the ten-year net present value of estimated benefits for the entire approved Balanced Portfolio, then the reallocation for each Zone shall be set at a level that equates the benefit to cost ratio in each Zone to the trued-up benefit to cost ratio for the approved Balanced Portfolio over the ten-year period analyzed.

B. **Reconfiguration of an Approved Balanced Portfolio**

1. **Conditions Under Which an Approved Balanced Portfolio may be Reconfigured**

Under certain conditions, the Transmission Provider shall review an approved Balanced Portfolio for unintended consequences and may recommend reconfiguring a previously approved Balanced Portfolio. Conditions that would initiate such review include but are not limited to:

i. Cancellation of an upgrade that is part of an approved Balanced Portfolio;
ii. Unanticipated decreases in benefits or increases in the costs of upgrades that are part of an approved Balanced Portfolio or increases in the costs of third party impacts under Section IV.3.e of Attachment O; and

iii. Significant unanticipated changes in the transmission system.

2. Factors to be Considered in Determining Whether a Balanced Portfolio Should be Reconfigured

Reconfiguration of a Balanced Portfolio shall be evaluated based upon the following general factors, including but not limited to, the impact of the reconfiguration on:

i. Meeting the conditions for a Balanced Portfolio specified in Section IV.3.e of Attachment O to this Tariff;

ii. The number of deficient Zones as defined in Section IV.4.a of Attachment O to this Tariff;

iii. The amount of Reallocated Revenue Requirements that needs to be transferred from the deficient Zone(s) to the Balanced Portfolio Region-wide Annual Transmission Revenue Requirement in order to balance the reconfigured portfolio; and

iv. The increase in the overall cost of the reconfigured Balanced Portfolio, if upgrades are added to the portfolio.

3. Reallocation of Reallocated Revenue Requirements

If a reconfigured portfolio is to be balanced by transferring a portion of the Reallocated Revenue Requirements from the deficient Zone(s) to the Balanced Portfolio Region-wide Annual Transmission Revenue Requirement, the reallocation of the revenue requirements specified in Section IV.A of this Attachment shall be adjusted based on the costs and benefits of the proposed reconfigured Balanced Portfolio as approved.

4. Recommendation and Approval of a Reconfigured Balanced Portfolio

Based on the analysis performed in accordance with Sections IV.B.1 through IV.B.3 of this Attachment, the Transmission Provider shall provide a report and make a recommendation in regard to reconfiguration of the Balanced Portfolio to the Markets and Operations Policy Committee. The Markets and Operations Policy Committee shall consider the Transmission Provider’s report and recommendation, and shall provide its own recommendation (along with the Transmission Provider’s report and recommendation) to the SPP Board of Directors. Based upon these recommendations,
the SPP Board of Directors shall take action regarding reconfiguration of the Balanced Portfolio.

V. Other Network Upgrades

A. Sponsored Upgrades

The Directly Assigned Upgrade Cost of a Sponsored Upgrade shall be borne voluntarily by the Project Sponsor. The Project Sponsor shall execute an Agreement for Sponsored Upgrade in which it agrees to bear these Directly Assigned Upgrade Costs. In the Agreement, the Project Sponsor shall elect to pay for the Sponsored Upgrade by (1) a lump sum payment or (2) periodic charges calculated in accordance with Commission policy (both hereafter referred to as “Project Sponsor’s Payment”). 

*A Sponsored Upgrade constructed by a Federal Power Marketing Agency is only funded through the lump sum payment option.* Such periodic charges shall be paid on a monthly basis over a twenty year period unless a different frequency and/or shorter term is established in the Agreement for Sponsored Upgrade. The present value of the Project Sponsor’s Payment shall equal the present value of the annual revenue requirements of the Sponsored Upgrade over a twenty year plant life. The annual revenue requirements of the Sponsored Upgrade shall be calculated by multiplying the levelized fixed charge rate of the Transmission Owner, based on full depreciation over a 20 year plant life and including operating and maintenance expenses and any applicable tax consequences, by the nondepreciated actual cost of the Sponsored Upgrade.

The Transmission Provider shall file the Agreement initially utilizing good faith estimates of the construction costs for the assigned upgrade. Upon completion of the Sponsored Upgrade, the Transmission Provider shall true up the Directly Assigned Upgrade Costs to the actual construction costs as appropriate and calculate the Project Sponsor’s Payment.

In addition, the Directly Assigned Upgrade Cost of the Sponsored Upgrade shall be reduced as provided in Section VII of this Attachment J and by any revenue credits granted to a Transmission Owner for the use of the Sponsored Upgrade.

The Project Sponsor shall receive transmission revenue credits in accordance with Attachment Z2.

B. Service Upgrades

The cost of a Service Upgrade shall be allocated in accordance with Attachment Z1 to this Tariff. The Transmission Customer shall receive transmission revenue credits in accordance with Attachment Z2.
C. Generation Interconnection Related Network Upgrades

The cost of a generation interconnection related Network Upgrade shall be allocated in accordance with Attachment V to this Tariff. The Interconnection Customer shall receive transmission revenue credits in accordance with Attachment Z2.

D. Zonal Reliability Upgrades

1. The cost of Zonal Reliability Upgrades (i) included in the 2005 SPP Transmission Expansion Plan and (ii) placed in service prior to January 1, 2008 shall be allocated in accordance with Section III to this Attachment.

2. The cost of all other Zonal Reliability Upgrades shall be includable in the applicable Zonal Annual Transmission Revenue Requirement.

VI. Interregional Projects as Network Upgrades

The annual transmission revenue requirements associated with the costs allocated to the SPP Region for the approved Interregional Projects shall be included in the Region-wide Annual Transmission Revenue Requirement and recovered through the Region-wide Charge.

VII. Treatment of Upgrades that Permit Deferral or Displacement of Network Upgrades

A. Deferred Upgrade

In the case of a Base Plan Upgrade, an upgrade that is part of an approved Balanced Portfolio, a Zonal Reliability Upgrade, or a Service Upgrade that may be deferred (“Deferred Upgrade”) as a result of a proposed Network Upgrade, the achievable Accredited Revenue Requirements shall be equal to the time value of the affected Transmission Owner’s(s’) revenue requirement(s) for the Deferred Upgrade over the period of the deferral, calculated as follows:

1. A Transmission Owner’s annual revenue requirement for a Deferred Upgrade shall be determined using the same method as is used by the Transmission Owner to calculate its revenue requirement for transmission facilities for other purposes, but applying that method to the projected incremental investment in the Deferred Upgrade.

2. The time value of the deferral shall be calculated by discounting to present value the accredited annual revenue requirements for each individual year in the deferral period and summing the resulting values. For each individual year in the deferral period, the time value of the deferral will be determined by discounting the annual revenue requirement for that year first from January 1 of that year and then from December 31 of that year, summing the two resulting values, and dividing by two. For any partial year
encompassed by the deferral period, the time value of the deferral shall be calculated in the same manner as indicated in the immediately preceding sentence, except that the resulting value will be pro-rated based on the number of months in the partial year divided by 12.

B. Displaced Upgrade

In the case of a Base Plan Upgrade, an upgrade that is part of an approved Balanced Portfolio, a Zonal Reliability Upgrade, or a Service Upgrade that may be displaced (“Displaced Upgrade”) as a result of a proposed Network Upgrade, the achievable Accredited Revenue Requirements shall be equal to the time value of the affected Transmission Owner’s(s’) revenue requirement(s) for the Displaced Upgrade over the expected service life of the facility that is displaced. The methodology for calculating the Accredited Revenue Requirements shall be the same as set forth in Section VII.A. of this Attachment, except that the expected service life of the facility shall be substituted for the deferral period in all instances.

C. Application of Accredited Revenue Requirements

The Transmission Provider shall calculate the Accredited Revenue Requirements that are achievable due to a Deferred Upgrade or Displaced Upgrade. The Accredited Revenue Requirements shall be based on the estimated project costs for the approved upgrade which is deferred or displaced.

1. If a proposed Network Upgrade defers or displaces the need for a Base Plan Upgrade associated with a new or changed Designated Resources for which there are Directly Assigned Upgrade Costs, the Accredited Revenue Requirements related to Base Plan Upgrade charges shall only include the costs that are allocated to the Base Plan Zonal Annual Transmission Revenue Requirement and the Base Plan Region-wide Annual Transmission Revenue Requirement.

2. If a proposed Network Upgrade defers or displaces the need for an upgrade that is part of an approved Balanced Portfolio, the Accredited Revenue Requirements related to Balanced Portfolio charges shall only include the costs that are allocated to the Balanced Portfolio Region-wide Annual Transmission Revenue Requirement.

3. If a proposed Network Upgrade defers or displaces the need for a Zonal Reliability Upgrade, the Accredited Revenue Requirements related to Zonal Reliability Upgrade charges shall only include the costs that are assigned to the Zonal Annual Transmission Revenue Requirement.

4. If a proposed Network Upgrade defers or displaces the need for a Service Upgrade required to provide Long-Term Firm Point-to-Point Transmission Service, the Accredited
Revenue Requirements related to the transmission service charges shall only include the expected increase in revenue that can be distributed through Section II.C of Attachment L to this Tariff, for service under Schedule 7, as a result of displacement or deferral of the Service Upgrade.

D. Assignment and Recovery of Accredited Revenue Requirements

1. For a proposed Network Upgrade, other than an upgrade included in a Balanced Portfolio, that results in a Deferred Upgrade or Displaced Upgrade:
   i. The entity responsible for paying the cost of the Network Upgrade shall be responsible for any positive difference between the present value of the total costs for its upgrade and the present value of the Accredited Revenue Requirements.
   ii. The Accredited Revenue Requirements of the deferred or displaced upgrades shall be recovered through charges specified in:
      a. Section III.A of this Attachment for deferred or displaced Base Plan Upgrades;
      b. Section IV of this Attachment for deferred or displaced upgrades associated with a Balanced Portfolio;
      c. Section V.D of this Attachment for deferred or displaced Zonal Reliability Upgrades; and
      d. Section V.B. of this Attachment for deferred or displaced Service Upgrades.
   iii. The calculations for determining the Accredited Revenue Requirements shall be filed with the Commission by the Transmission Provider prior to the imposition of any charges or credits hereunder.

2. The costs of the upgrades included in an approved Balanced Portfolio that result in a Deferred Upgrade or Displaced Upgrade shall be included in the Balanced Portfolio Region-wide Annual Transmission Revenue Requirement and shall be recovered through the Region-wide Charge.
   i. The costs of a Network Upgrade that is deferred or displaced by the upgrades included in an approved Balanced Portfolio shall not be recovered through the original recovery mechanism for such upgrade.
   ii. In the evaluation of the benefits of the Balanced Portfolio as specified in Section IV.3.d of Attachment O to this Tariff, the Accredited Revenue Requirements associated with the deferred or displaced Base Plan Upgrade(s), Zonal Reliability Upgrade(s) and Service Upgrade(s) shall be treated as benefits to the Zones to which those Accredited Revenue Requirements are distributed or would have been otherwise assigned or recovered as specified in:
a. Section III.A of this Attachment for deferred or displaced Base Plan Upgrades;  
b. Section V.D of this Attachment for deferred or displaced Zonal Reliability Upgrades; and  
c. Section II.C of Attachment L for service under Schedule 7 for deferred or displaced Service Upgrades.

VIII. **Uncompleted Network Upgrades**

The costs of Network Upgrades that are not completed through no fault of the Transmission Owner charged with construction of the upgrades shall be handled as follows:

If a proposed Network Upgrade was accepted and approved by the Transmission Provider, the Transmission Provider shall develop a mechanism to recover such costs and distribute such revenue on a case by case basis. Such recovery and distribution mechanism shall be filed with the Commission. The Transmission Owner(s) that incurred the costs shall be reimbursed for those costs by the Transmission Provider. These costs shall include, but are not limited to: the costs associated with attempting to obtain all necessary approvals for the project, study costs, and any construction costs.
Schedule 1 to Attachment J

Agreement For Sponsored Upgrade

This Agreement For Sponsored Upgrade ("Agreement") is entered into this ______ day of _____________________, __________, by and between _____________________________ ("Project Sponsor"), and Southwest Power Pool, Inc. ("Transmission Provider") on behalf of itself and the designated Transmission Owner(s). The Project Sponsor and Transmission Provider shall be referred to as "Parties."

WHEREAS, the Transmission Provider administers an Open Access Transmission Tariff ("Tariff") to provide Transmission Service within the Southwest Power Pool and acts as agent for the Transmission Owners in providing service under the Tariff; and

WHEREAS, the Sponsored Upgrade identified in the Specifications attached hereto has been endorsed by the Markets and Operations Policy Committee and the Board of Directors of the Transmission Provider; and

WHEREAS, the Project Sponsor has agreed to bear the cost of the Sponsored Upgrade; and

WHEREAS, the Parties intend that capitalized terms used herein shall have the same meaning as in the Tariff;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein, the Parties agree as follows:

1.0 This Agreement shall become effective on the later of (l) the date of the execution of this Agreement by both Parties or (2) such other date as it is permitted to become effective by the Commission. ("Effective Date")

2.0 This Agreement shall terminate on the later of the following events: (1) the Project Sponsor has fulfilled its obligation to make Project Sponsor’s Payment pursuant to section 3.0 or (2) the Transmission Provider has fulfilled its obligation to pay the Project Sponsor all revenue credits pursuant to section 5.0, recognizing that no obligation to pay revenue credits will remain after the Sponsored Upgrade has been permanently removed from service.

3.0 Project Sponsor agrees to pay the Directly Assigned Upgrade Costs of the Sponsored Upgrade pursuant to Attachment J of the Tariff. Project Sponsor has elected to pay for the Sponsored Upgrade in one of the following manners, as indicated in the Specifications attached hereto: (1) by a lump sum payment or (2) a periodic charge, both hereinafter referred to as "Project Sponsor’s Payment.” The Parties recognize that the initial Project Sponsor’s Payment will be based on an estimate of the Directly Assigned Upgrade Costs. While Transmission Provider represents that the Project Sponsor’s Payment is based on a good faith estimate of the Directly Assigned Upgrade Costs, such estimate shall not be binding, and the Project Sponsor shall compensate the Transmission Provider and designated Transmission Owner(s) for all costs incurred pursuant to the provisions of the Tariff. Promptly after the Sponsored Upgrade is placed in service, Transmission Provider shall adjust the Project Sponsor’s Payment to reflect all such costs incurred, as appropriate.

4.0 Project Sponsor shall maintain a Letter of Credit in the amount specified in this Agreement or such other form of security acceptable to Transmission Provider pursuant to Attachment X of the Tariff until
such time as the Project Sponsor has fulfilled its obligation to make Project Sponsor’s Payment pursuant to section 3.0.

5.0 Transmission Provider agrees to provide Project Sponsor with revenue credits pursuant to Attachment Z2 of the Tariff. Revenue credits shall be the exclusive compensation of the Project Sponsor under this Agreement.

6.0 Transmission Provider agrees to arrange for the construction of the Sponsored Upgrade in accordance with the Tariff, the SPP Membership Agreement and the construction timeline specified herein.

7.0 Any notice or request made to or by either Party regarding this Agreement shall be made to the representative of the other Party as indicated below.

Southwest Power Pool, Inc.:

_____________________________________
201 Worthen Drive
Little Rock, AR 72223-4936

Project Sponsor:

_____________________________________
_____________________________________
_____________________________________
8.0 The Tariff is incorporated herein and made a part hereof for all purposes.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective authorized officials.

Southwest Power Pool, Inc.:

By: ____________________ ____________________ ____________________

   Name               Title                Date

Project Sponsor:

By: ____________________ ____________________ ____________________

   Name               Title                Date

Specifications

1.0 Designated Transmission Owner(s): _________________________________________

2.0 Description of Sponsored Upgrade: __________________________________________

_______________________________________________________________________

_______________________________________________________________________

_______________________________________________________________________

_______________________________________________________________________

_______________________________________________________________________

3.0 Project Sponsor’s Payment:* The Project Sponsor shall elect to pay the Directly Assigned Upgrade Grade Costs of the Sponsored Upgrade by (1) a lump sum payment or (2) a periodic charge as indicated below:

   _____ Lump Sum Payment: ________________________________________________

   Payment Due Date: ________________________________________________________
* The Project Sponsor’s Payment specified herein shall initially be based on a good faith estimate of Directly Assigned Upgrade Costs. The Project Sponsor’s Payment shall be subject to adjustment and true up after the Sponsored Upgrade is placed in service.

4.0 Project Timeline (Milestones): 

5.0 Letter of Credit:
Initial Base Plan Upgrades of Basin Electric Power Cooperative.

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ATTACHMENT K
Redispatch Procedures and Redispatch Costs

I. Redispatch to Accommodate a request for Firm Transmission Service

A. Purpose

This Procedure shall apply only to entities that, when applying for Firm Point-To-Point or Network Integration Transmission Service, were told that the service could be provided only if redispatch occurs, and that agreed to pay redispatch costs. If an entity in these circumstances does not agree to pay redispatch costs, then its request for Firm Point-to-Point or Network Integration Transmission Service will be denied in whole or in part. To the extent the Transmission Provider can relieve any system constraint for Firm Point-To-Point or Network Integration Transmission Service by redispachting the generation resources of the willing Transmission Owner(s) or other willing generators, it shall so do, provided that the Eligible Customer agrees to compensate the Transmission Provider pursuant to the terms of Section 27 of this Tariff and this procedure. The procedure under this Section I is not for the purpose of sustaining non-firm service.

B. Obligations

The Transmission Provider shall arrange for the redispatch of the generation resources of the Transmission Owner(s) or other willing generators for the stated purpose. As a condition precedent to receiving Firm Point-to-Point or Network Integration Transmission Service, a Transmission Customer agrees to pay (1) the applicable Transmission Service charges described in Schedules 1 through 11; and (2) the actual redispatch cost necessary to relieve transmission constraints. To the extent practical, the redispatch of all such resources shall be on a least cost basis. The total charges to be paid by the Transmission Customer under this Tariff shall not exceed the total charges the Transmission Customer would have paid under the Transmission Service Tariffs of the Transmission Owners for the Transmission Service in the same amount from the same Point of Receipt to the same Point of Delivery unless any additional charges to the Transmission Customer are permitted by Commission policy.

C. Assessment Process

Upon receipt of an Application for Firm Point-to-Point or Network Integration Transmission Service, the Transmission Provider shall make a determination of the availability of the requested Firm Transmission Service. The Transmission Provider's Security Coordination Center will identify transmission constraints utilizing generally accepted power system analysis techniques. Where the requested Firm Transmission Service


is determined to be not fully available because of transmission constraints, then the Transmission Provider will assess the need for redispatch of generation.

The procedure to be implemented is as follows:

1. Determine the available transmission capacity for the requested Firm Transmission Service utilizing a load flow computer simulation of the transmission system recognizing all firm uses of the system.
2. Determine the owned generation resources of the Transmission Owners or others that will relieve the transmission constraint and the amount of transmission capacity available through redispatch.
3. The Transmission Provider shall inform the Eligible Customer if the Transmission Provider concludes that redispatch can sustain the requested Firm Transmission Service.
4. Any disputes as to compensation for service under this Tariff shall go to dispute resolution in accord with the provisions of this Tariff.

D. Redispatch Costs

If redispatch services are provided pursuant to this Attachment K, the Transmission Provider will in good faith attempt to relieve the constraint through operation of the Energy and Operating Reserve Markets described in Attachment AE. Costs associated with redispatch services shall be collected and paid in accordance with the Energy and Operating Reserve Markets settlement procedures described in Attachment AE.
ATTACHMENT L
Treatment of Revenues

I. Payments And Distribution Of Revenues

Payments received under Section 7 of this Tariff by the Transmission Provider, as agent for the Transmission Owners, will be distributed in accordance with the provisions of this Attachment L. Payments and distribution of revenues associated with the Integrated Marketplace will be made in accordance with Section 8 of Attachment AE.

II. Distribution Of Transmission Service Revenues Associated With The Zonal Annual Transmission Revenue Requirement

Transmission service revenues associated with the Zonal Annual Transmission Revenue Requirement shall be distributed in accordance with the following:

A. Grandfathered Agreements

Except by mutual agreement of the Parties to Grandfathered Agreements, the Transmission Provider shall have no claim to the revenues collected under such agreements, and shall not collect or allocate any revenues for transmission service related to such transactions. The Transmission Owner providing the transmission service under the Grandfathered Agreements, therefore, will continue to receive payment directly from the customer under the Grandfathered Agreement. Nothing herein is intended to supersede or otherwise affect rights that any party to a Grandfathered Agreement may have with respect to termination of the Grandfathered Agreement. In the event that a Grandfathered Agreement remains in effect between or among two or more Transmission Owners in a multi-owner Zone other than Zone 1, the associated charges and revenues will be treated as set forth in Section II.B.2(b) below for purposes of determining the appropriate distribution of revenues among the Transmission Owners in that Zone.

B. Revenue Distribution – Network Integration Transmission Service

1. Single-Owner Zones

Where there is only one Transmission Owner in a Zone, revenues associated with facilities with a Zonal Annual Transmission Revenue Requirement shall be distributed as follows:

(a) Except to the extent required under paragraph II.B.1(b) of this Attachment L, revenues collected by the Transmission Provider under Schedule 9 in connection with the provision of Network Integration Transmission Service shall be distributed to the Transmission Owner in the Zone where the Network Load is located.
(b) When a Network Customer has designated Network Load not physically interconnected with the Transmission System under Section 31.3 of the Tariff, revenues collected by the Transmission Provider for Network Integration Transmission Service for that portion of the Network Customer’s Network Load shall be distributed among Transmission Owners on the same basis as the revenues collected in connection with the provision of Point-To-Point Transmission Service.

2. Multi-Owner Zones

When more than one Transmission Owner within a single Zone has established its owner-specific zonal annual revenue requirement (“OZRR”), the Transmission Provider shall distribute revenues owed to the Transmission Owners in the Zone as described below.

(a) Except to the extent required under paragraph II.B.2(e) of this Attachment L, the Transmission Provider shall distribute revenues it collects under Schedule 9 to each Transmission Owner in the Zone where the load is located in proportion to its respective share of the Zonal Annual Transmission Revenue Requirements (“ZRR”) shown in Attachment H for that Zone, as adjusted in accordance with paragraph II.B.2(b) below. The resulting adjusted OZRRs of the Transmission Owners in the Zone as calculated in paragraph II.B.2(b) below will be combined to provide the basis for distribution of revenues from Schedule 9 charges.

(b) For any year in which a Transmission Owner is a seller of transmission service to another Transmission Owner within the same Zone under one or more Grandfathered Agreements, the selling Transmission Owner’s OZRR used to allocate revenue from Schedule 9 charges shall be reduced by the revenues associated with these Grandfathered Agreements in that year, but only to the extent that such costs have not already been credited against the selling Transmission Owner’s OZRR. For any year in which a Transmission Owner is a purchaser of transmission service from a Transmission Owner within the same Zone under one or more Grandfathered Agreements, the purchasing Transmission Owner’s OZRR shall be increased by the charges payable under these Grandfathered Agreements in that year, but only to the extent those charges are not already included in the purchasing Transmission Owner’s OZRR.

(c) For each Transmission Owner in the Zone that has elected not to take Network Integration Transmission Service for its Native Load Customers or that has elected not to make payments to the Transmission Provider for its OZRR in taking Network Integration Transmission Service for its Native Load Customers and/or that provides long term transmission service under Grandfathered Agreements (other than those addressed in paragraph II.B.2(b) above), the Transmission Provider shall compute hypothetical NITS payments equal to the cost to serve its Native Load Customers and to serve long-term customers served under Grandfathered Agreements (other than those addressed in paragraph II.B.2(b) above) as if those customers were paying for service under Schedule 9.
(d) For each Transmission Owner, the Transmission Provider shall calculate an amount equal to the sum of hypothetical NITS payments determined in accordance with paragraph II.B.2(c) above, if any, plus distributed Schedule 9 charges in accordance with paragraph II.B.2(a) above, less its OZRR as adjusted pursuant to paragraph II.B.2(b) above. If the resulting amount is positive, the Transmission Owner shall pay the Transmission Provider this amount. If the resulting amount is negative, the Transmission Provider shall pay the Transmission Owner this amount.

(e) The treatment described in paragraphs II.B.2(b)-(d) above is premised on the assumption that the annual transmission revenue requirement of the Transmission Owner that is the seller under a Grandfathered Agreement has not been reduced by the amount of the charges associated with the Grandfathered Agreement. In such circumstances, the parties to the Grandfathered Agreement will attempt to reach agreement on a treatment of the Grandfathered Agreement that results in appropriate compensation to the Transmission Owners in the Zone while preventing the imposition of excessive costs on others. If the Transmission Owners in the Zone are unable to reach agreement, either Transmission Owner may invoke the dispute resolution procedures of the Tariff or seek a determination from FERC as to the appropriate treatment of the Grandfathered Agreement charges.

(f) When a Network Customer has designated Network Load outside the Transmission Provider’s Transmission System under Section 31.3 of the Tariff, revenues collected by the Transmission Provider for Network Integration Transmission Service for that portion of the Network Customer’s Network Load shall be distributed among Transmission Owners on the same basis as the revenues collected in connection with the provision of Point-To-Point Transmission Service of the Zone that is the Point of Delivery. In the event that more than one Zone is a Point of Delivery for the export schedules, the revenues shall be allocated in proportion to the energy exported from each Point of Delivery.

(g) Sections II.B.2(a) through II.B.2(e) above do not apply to Zone 1. In the event a Transmission Owner within Zone 1 other than American Electric Power establishes its owner-specific zonal annual revenue requirement (“OZRR”) as stated in Attachment H, that subsequent Transmission Owner will be entitled to receive revenue, collected by the Transmission Provider from other Transmission Customers within Zone 1 including any Transmission Owner within Zone 1 taking service under Section 39, in an amount equal to one minus that Transmission Owner’s Load Ratio Share of the Zone 1 total Network Load multiplied by that Transmission Owner’s OZRR.

(h) Nothing herein is intended to supersede or otherwise affect rights that any Transmission Owner in a multi-owner Zone may have to seek designation of its facilities as a separate Zone under the Tariff.

3. Revenue Credits – Tariff Attachment Z2
Network Integration Transmission Service revenue collected by the Transmission Provider attributed to the use of Creditable Upgrades pursuant to the provisions of Attachment Z2 of this Tariff shall be paid to Upgrade Sponsors in accordance with Attachment Z2.

C. Revenue Distribution -- Point-To-Point Transmission Service

Irrespective of the number of Transmission Owners in a Zone, and except to the extent required under Section IV of this Attachment L, revenues collected by the Transmission Provider under Schedules 7 and 8 and revenues allocated pursuant to paragraphs II.B.1(b) and II.B.2(f). shall be distributed as follows:

(a) If a Point-To-Point Transmission Service reservation could not be granted but for the use of one or more Creditable Upgrades, pursuant to the provisions of Attachment Z2, the revenue from that reservation will first be distributed to the Upgrade Sponsors of such Creditable Upgrades in accordance with the provisions of Attachment Z2. Any remaining revenue shall be distributed in accordance with all other provisions of this Section C.

(b) If the generation source(s) and load(s) are located within a single Zone, 50% of the revenues shall be distributed to the Transmission Owner(s) in that Zone in proportion to their respective shares of the ZRR, and 50% of the revenues shall be distributed to the Transmission Owner(s) in that Zone in proportion to the MW-mile impacts incurred by each such Transmission Owner.

(c) In all instances other than that described in the preceding paragraph: 50% of the revenues shall be distributed to the Transmission Owners in proportion to their respective shares of the sum of the Zonal Annual Transmission Revenue Requirements for all Zones; and 50% of the revenues shall be distributed to the Transmission Owners whose facilities incur MW-mile impacts due to the transaction, in proportion to the MW-mile impacts incurred by each such Transmission Owner. A Transmission Owner’s OZRR used for this purpose shall be that stated in Attachment H. The MW-mile impacts shall be determined by use of the procedures in Attachment S.

III. Distribution of Revenues From Base Plan Zonal Charges and Region-wide Charges and Interregional Projects

A. Distribution of Revenues Based on Annual Transmission Revenue Requirements

Revenues associated with the Base Plan Zonal Annual Transmission Revenue Requirements and with the Region-wide Annual Transmission Revenue Requirement, specified in Attachment H and collected by the Transmission Provider under Schedule 11 of the Tariff but excluding revenues collected pursuant to Sections III.B and III.C of this Attachment L, shall be distributed to Transmission Owners owning Base Plan Upgrades, upgrades within approved Balanced Portfolios, or an approved Interregional Project and to Transmission Owners with facilities in Zones from which any amount has been reallocated from the Zonal Annual Transmission Revenue Requirements in accordance with Section IV.A of Attachment J. Such revenue
distribution shall be in proportion to the Transmission Owners' respective annual transmission revenue
requirements for Base Plan Upgrades, annual transmission revenue requirements for upgrades within approved
Balanced Portfolios, *approved Interregional Projects*, and amounts reallocated from the Zonal Annual Transmission Revenue Requirements in accordance with Section IV.A of Attachment J.

**B. Distribution of Point-To-Point Revenues under Zonal ATRR Reallocation**

Revenues derived from the component of the Region-wide Charge for Point-To-Point Transmission Service that is associated with any amount reallocated from the Zonal Annual Transmission Revenue Requirements, in accordance with Section IV.A of Attachment J, shall be distributed to Transmission Owners proportionately to the distribution of revenues collected under Schedules 7 and 8 as provided in Section II.C of this Attachment L.

**C. Distribution of Revenues for Creditable Upgrades Included in Schedule 11 Rates**

Revenue collected by the Transmission Provider under Schedule 11 attributed to use of Creditable Upgrades shall be distributed to the Upgrade Sponsors to which such revenues are due in accordance with Section II.D and III.C.2 of Attachment Z2.

**D. Distribution of Revenues to Interregional Planning Region**

*Revenues associated with approved Interregional Projects collected by the Transmission Provider under Schedule 11 of the Tariff to compensate an Interregional Planning Region in accordance with the interregional cost allocation pursuant to the Addendum(s) to Attachment O will be distributed by the Transmission Provider to the applicable Interregional Planning Region.*

**IV. Distribution Of Other Revenues**

1. Revenues associated with redispatch service will be paid to the Resource owner providing the service for the Transmission Provider in accordance with the settlement procedures specified in Attachment AE.

2. Revenues associated with Reactive Supply and Voltage Control from Generation Sources Services under Schedule 2 of the Tariff will be paid to the generation owner providing the service for the Transmission Provider consistent with the development of the charges under Schedule 2.

3. Energy or revenues received as compensation for transmission losses shall be distributed consistent with Attachment M to the Tariff.

4. Revenues associated with Scheduling, System Control and Dispatch Service under Schedule 1 shall be allocated to the Transmission Owners within the transmission system that provide such service as follows:
a. For Firm or Non-Firm Point-To-Point Transmission Service, for through and out transactions, Schedule 1 charge revenues shall be allocated to Transmission Owners in proportion to the respective scheduling revenue requirement of each such Transmission Owner associated with the provision of this service.

b. For Customers taking Firm or Non-Firm Point-To-Point Transmission Service, for transactions into and within the Transmission System, Schedule 1 charge revenues shall be allocated to Transmission Owner whose Zone is the Point of Delivery.

c. For Customers taking Network Integration Transmission Service, Schedule 1 charge revenues shall be allocated to Transmission Owner in whose Zone the load is located.

5. Revenues associated with Tariff Administration Service under Schedule 1 will remain with the Transmission Provider to pay for the costs of providing that service.

6. Payments associated with penalties imposed under this Tariff will be used to reduce the Transmission Provider's Scheduling and Tariff Administration Service costs (though the non-penalty portion of the charge will go back to the Transmission Owner(s) that actually provided the service).

7. Transmission Owner costs associated with System Impact and Facilities Studies compensated by the Transmission Customer shall go to the appropriate Transmission Owner(s).

8. The revenues associated with Direct Assignment Facilities shall go directly to the Transmission Owner(s) owning the facilities.

9. The revenues associated with Network Upgrades, not otherwise provided for in Section III of this Attachment L, shall be first assigned to the Transmission Owner building the Network Upgrades to meet the annual revenue requirements of such facilities. If multiple Transmission Owners construct the facilities, the revenues shall be shared in accordance with each Transmission Owner's respective revenue requirement for such facilities or as otherwise agreed by the Transmission Owners. The remaining revenues shall be allocated in accordance with Section II of this Attachment L.

10. The revenues associated with Wholesale Distribution Service shall go directly to the Transmission Owner(s) owning the facilities consistent with Schedule 10.

11. Any additional revenues received under Section 22.1 of the Tariff shall be treated in the same manner as revenues under Section II.B.2 for single-owner Zones, and Section II.C.2 for multi-owner Zones, of this Attachment L.
12. All revenues received by the Transmission Provider to compensate a Transmission Owner(s) not party to a generation interconnection agreement for the construction of Network Upgrades and Distribution Upgrades (as defined in Attachment V to the Tariff) associated with such generation interconnection agreement will be distributed by the Transmission Provider to the applicable Transmission Owner(s).

V. Adjustments To Revenue Allocations in the Event of Customer Non-Payments

If the amounts collected by the Transmission Provider for Transmission Services and Market Services are insufficient to fully pay the Transmission Owners and providers of Market Services, then the following procedures apply:

A. Definitions

The following definitions apply in this Section V of Attachment L. Capitalized terms used in this Attachment L and not defined herein shall be given the meaning assigned to them under the Tariff.

1. **Credit Support Documents:** Any agreement or instrument in any way guaranteeing or securing any or all of a Market Participant’s obligations under the Tariff (including, without limitation, the Credit Policy), any agreement entered into under, pursuant to, or in connection with the Tariff or any agreement entered into under, pursuant to, or in connection with the Tariff or the Credit Policy, and/or any other agreement to which the Transmission Provider and Market Participant are parties, including, without limitation, any Guaranty, Letter of Credit, Credit and Security Agreement (Attachment B to the Credit Policy) or agreement granting a security interest.

2. **Default:** Any default under Article Eight or otherwise under the Credit Policy.

3. **Defaulting Market Participant:** A Market Participant that defaults under section 8.1 of the Credit Policy.

4. **FERC:** The Federal Energy Regulatory Commission.

5. **Market Services:** Services taken and/or provided pursuant to the Tariff, excluding Transmission Services and interconnection obligations.

6. **Non-Defaulting Market Participants:** Market Participants, other than the Defaulting Market Participant, who conducted business in the market during the time covered by the invoice(s) containing the Unpaid Obligation.

7. **Unpaid Obligation:** An unpaid past due amount of an invoice pursuant to Section 7 of the Tariff or for Market Services for which SPP does not reasonably expect payment in full and which SPP has declared to be an Unpaid Obligation.
8. **Uncollectible Obligation:** An Unpaid Obligation that has not been paid within ninety (90) days after SPP declared an invoice an Unpaid Obligation, or sooner, should by any means the Market Participant’s Service Agreement be terminated.

**B. General**

SPP shall only be required to remit to the Transmission Owners, providers of Market Services, and Upgrade Sponsors, the revenues that it has collected, without dispute, under the SPP Tariff for Market Services or Transmission Services, as applicable.

**C. Procedures for Non-Payment of Amounts Invoiced for Market Services**

1. The following procedures apply to defaults in payment of amounts invoiced for Market Services. (With respect to defaults of amounts invoiced pursuant to Section 7 of the Tariff, see Section V.D. of this Attachment L.) At such time as SPP concludes that SPP does not reasonably expect payment in full of an unpaid past due amount, which SPP may conclude as early as within 1 day after the due date, then SPP shall declare such unpaid past due amount to be an Unpaid Obligation. SPP will notify Market Participants of the declaration of an Unpaid Obligation by posting a notice to the OASIS. Such notification will identify the Defaulting Market Participant, the amount of the Unpaid Obligation, the applicable week(s) of service for which the Defaulting Market Participant was initially invoiced the Unpaid Obligation, and the future billing week(s) in which SPP will, because of the Unpaid Obligation, reduce the revenues to be paid to all Non-Defaulting Market Participants who conducted business in the market during the time covered by the invoice applicable to the Unpaid Obligation.

SPP will then make reduced payments on the corresponding payout date to the Non-Defaulting Market Participants receiving revenues for Market Services associated with the Unpaid Obligation. A payment to a Non-Defaulting Market Participant will be reduced in amount equal to such Non-Defaulting Market Participant’s pro rata share of the Unpaid Obligation.

Upon the earliest feasible date after declaring an Unpaid Obligation, SPP will take the following additional steps: (i) identify and segregate all funds held by SPP with respect to the Defaulting Market Participant; (ii) recover the Unpaid Obligation by drawing upon the entire amount of collateral provided by the Defaulting Market Participant, provided that any amount of the Unpaid Obligation not paid by such draw shall continue to be an Unpaid Obligation; (iii) seek to recover the Unpaid Obligation from any guarantor of the Defaulting Market Participant’s obligations; (iv) seek to exercise other remedies under the Credit Support Documents provided by the Defaulting Market Participant; and (v) pursue other available remedies for Defaults, including, without limitation, initiating a filing with FERC to terminate the Service Agreement of the Defaulting Market Participant. SPP may deviate from steps (i) through (v), including omission of steps and use of other measures as SPP may determine, in its discretion, are appropriate to maximize collection, minimize
collection costs, and produce cost effective collection efforts relative to, for example, the likelihood of collection of the Unpaid Obligation.

Any amounts received by SPP pursuant to this Section V.C.1. of this Attachment L shall be applied to reduce the amount of the Unpaid Obligation if those amounts are received prior to the issuance of a notice to cure the Default. After the notice to cure is issued, Section V.C.2. of this Attachment L will apply.

2. Payments by Defaulting Market Participants of Unpaid Obligations. This Section V.C.2 applies to amounts invoiced to Market Participants for Market Services only.

After SPP has declared an Unpaid Obligation, SPP will send the Defaulting Market Participant a notice to cure the Default as specified in Section 8.3 of the SPP Credit Policy. The Defaulting Market Participant must take the following steps to cure its Default: (i) pay all unpaid obligations to SPP, including, without limitation, the amount of the Unpaid Obligation, interest, and enforcement and collection costs; and (ii) meet the creditworthiness requirements of SPP, including, without limitation, any additional financial assurances that may be required by SPP given the Defaulting Market Participant’s prior Default.

In the event the Defaulting Market Participant attempts to cure its Default by making partial payment of the Unpaid Obligation, the partial payment shall not be applied to reduce the Unpaid Obligation but shall instead be segregated from other SPP funds. Such segregated partial payments shall accumulate until the full amount of the Unpaid Obligation is cured by a series of two or more partial payments. In the event SPP determines that the Unpaid Obligation is uncollectible pursuant to Section V.C.2. of this Attachment L and is an Uncollectible Obligation, the segregated partial payments along with any interest shall be applied using the formula set forth in Section V.C.3.b. of this Attachment L, and the funds will be distributed as described in Section V.C.3.c. of this Attachment L. Section V.E. of this Attachment L applies if a Market Participant provides partial payments for Unpaid Obligations of both Market Services and Transmission Services.

In the event the full amount of the Unpaid Obligation is paid by the Defaulting Market Participant prior to SPP declaring the Uncollectible Obligation, those revenues will be distributed to Market Participants in the same percentages as the previous reduction of revenues associated with the Unpaid Obligation.

3. Uplift. This Section V.C.3 of Attachment L applies to amounts invoiced to Market Participants for Market Services only. Ninety (90) days after declaring an invoice an Unpaid Obligation or sooner, should by any means the Market Participant’s Service Agreement be terminated, SPP will declare that Unpaid Obligation an Uncollectible Obligation. SPP shall proceed to recover the Uncollectible Obligation from all Market Participants who conducted business in the market during the period covered by the invoice(s) associated with the Uncollectible Obligation(s) on a pro rata basis, with the amount of the Uncollectible Obligation adjusted by the amount of the Unpaid Obligation recovered pursuant to Section V.C.1. of this Attachment L and partial payments pursuant to Sections V.C.2. and V.E. of this Attachment L.
a. Eligibility for Share of Uncollectible Obligation.

The Uncollectible Obligation shall be allocated by SPP to all Non-Defaulting Market Participants that had been invoiced by SPP during the same period of time as the unpaid invoice(s) of the Market Participant whose Unpaid Obligation has been declared an Uncollectible Obligation.

b. Uncollectible Obligation Allocation Methodology.

The formula below is the basis for allocating the Uncollectible Obligation to all Non-Defaulting Market Participants who conducted business in the market during the time covered by the invoice(s) containing the Uncollectible Obligation(s).

\[
\text{% Loss for } MP_A = \frac{MP_A \text{ Market Charges + Market Credits in weekly invoicing cycle}}{MP_{ALL} (\text{Market Charges + Market Credits}) \text{ in weekly invoicing cycle}}.
\]

Loss Obligation of \( MP_A = (\text{% Loss for } MP_A \times \text{Amt of Uncollectible Obligation}) \) minus \((-\text{Reduction of Payments + Pro rata share of partial payment(s)})\)

Where:

\( MP = \) Market Participant

Market Charges = The absolute value of all charge amounts associated with invoices for Market Services.

Market Credits = The absolute value of all credit amounts associated with invoices for Market Services.

\( MP_{ALL} = \) All Market Participants other than Market Participants with Uncollectible Obligations.

Reduction of Payment = The amount of the Unpaid Obligation originally assessed to Market Participant as described in Section V.C.1. above.

Pro rata share of partial payment(s) = Any partial payments received during cure period as described in Section V.C.2.

All individual charge amounts and all individual credit amounts invoiced for Market Services shall be included in the calculation of Market Charges and Market Credits. The Market Charges and Market Credits of Market Participants with Uncollectible Obligations will not be included in the calculation of the percentage of the loss to be allocated to all Non-Defaulting Market Participants that had been invoiced by SPP during the
same period of time as the unpaid invoice(s) of the Defaulting Market Participant whose Unpaid Obligation has been declared an Uncollectible Obligation.

c. Application of Recovered Uncollectible Obligation.

Any funds that are attributable to an Uncollectible Obligation that are recovered by SPP (other than amounts recovered by the uplift of the Uncollectible Obligations) after the Uncollectible Obligation has been uplifted pursuant to Section V.C.3.b. of this Attachment L, shall first be applied to satisfy outstanding costs of enforcement and collection of the Unpaid Obligation or Uncollectible Obligation, and any other amount due to SPP under the Tariff or any other agreements. Any remaining funds attributable to an uplifted Uncollectible Obligation, together with any remaining interest and late charges collected with respect to the uplifted Uncollectible Obligation, shall be distributed pro rata to the Non-Defaulting Market Participants, using the same formula specified under Section V.C.3.b. of this Attachment L to whom the Uncollectible Obligation was uplifted and who satisfied their obligation to pay the uplifted Uncollectible Obligation.

D. Procedures for Non-Payment of Amounts Invoiced Pursuant to Section 7 of the Tariff

1. The following procedures apply to a Defaulting Market Participant with respect to defaults of amounts invoiced pursuant to Section 7 of the Tariff. (With respect to defaults of amounts invoiced for Market Services, see Section V.C. of this Attachment L.) Transmission Owners and Upgrade Sponsors due revenue credits will receive revenues in accordance with Sections I and V.A. of this Attachment L.

At such time as SPP concludes that SPP does not reasonably expect payment in full of an unpaid past due amount, which SPP may conclude as early as within 1 day of the due date, then SPP shall declare such unpaid past due amount to be an Unpaid Obligation. SPP will notify Market Participants of the declaration of an Unpaid Obligation by posting a notice to the OASIS. Such notification will identify the Defaulting Market Participant, the amount of the Unpaid Obligation, the applicable month of service for which the Defaulting Market Participant was initially invoiced the Unpaid Obligation, and the future billing month in which SPP will, because of the Unpaid Obligation, reduce the revenues to be paid to all Transmission Owners and Upgrade Sponsors due revenue credits who received payments during the time covered by the invoice containing the Unpaid Obligation.

SPP will then make reduced payments on the corresponding payout date to the Transmission Owners and Upgrade Sponsors due revenue credits receiving revenues for invoices associated with the Unpaid Obligation. A payment to a Transmission Owner or Upgrade Sponsor due revenue credits will be reduced in amount equal to such entity’s pro rata share of the Unpaid Obligation.

Upon the earliest feasible date after declaring an Unpaid Obligation, SPP will take the following steps: (i) identify and segregate all funds held by SPP with respect to the Defaulting Market Participant; (ii) recover the Unpaid Obligation by drawing upon the entire amount of collateral provided by the Defaulting Market
Participant, provided that any amount of the Unpaid Obligation not paid by such draw shall continue to be an Unpaid Obligation; (iii) seek to recover the Unpaid Obligation from any guarantor of the Defaulting Market Participant’s obligations; (iv) seek to exercise other remedies under the Credit Support Documents provided by the Defaulting Market Participants; and (v) pursue other available remedies for Defaults, including, without limitation, initiating a filing with FERC to terminate the Service Agreement of the Defaulting Market Participant. SPP may deviate from steps (i) through (v), including omission of steps and use of other measures as SPP may determine, in its discretion, are appropriate to maximize collection, minimize collection costs, and produce cost effective collection efforts relative to, for example, the likelihood of collection of the Unpaid Obligation. Any amounts received by SPP pursuant to this Section V.D.1. of this Attachment L shall be applied to reduce the amount of the Unpaid Obligation if those amounts are received prior to the issuance of a notice to cure the Default. After the notice to cure is issued, Section V.D.2. of this Attachment L will apply.

2. Payments by Defaulting Market Participants of Unpaid Obligations. This Section V.D.2 applies to amounts invoiced to Market Participants pursuant to Section 7 of the Tariff only.

After SPP has declared an Unpaid Obligation, SPP will send the Defaulting Market Participant a notice to cure their Default as specified in Section 8.3 of the SPP Credit Policy. The Defaulting Market Participant must take the following steps to cure its Default: (i) pay all Unpaid Obligations to SPP, including, without limitation, the amount of the Uncollectible Obligation, interest, and enforcement and collection costs; and (ii) meet the creditworthiness requirements of SPP, including, without limitation, any additional financial assurances that may be required by SPP given the Defaulting Market Participant’s prior Default.

In the event the Defaulting Market Participant attempts to cure its Default by making partial payments, rather than apply a partial payment to the Unpaid Obligation, SPP shall segregate such partial payments from other funds. Such segregated partial payments shall accumulate until the full amount of the Unpaid Obligation is cured by a series of two or more partial payments. In the event that the Defaulting Market Participant does not satisfy the entire Unpaid Obligation in full within 90 days of Default, SPP shall remit to the Transmission Owners the segregated partial payments in the same percentage as the amount each Transmission Owner was originally owed of the original unpaid invoice. This remittance will occur 90 days after the date of Default or sooner should by any means the Defaulting Market Participant’s Service Agreement be terminated.

In the event the full amount of the Unpaid Obligation is paid by the Market Participant within 90 days of Default, those revenues will be distributed in the same percentages as the previous reduction of revenues associated with the Unpaid Obligation.

3. Application of Additional Recovered Unpaid Obligation

Any funds that are attributable to an Unpaid Obligation that are recovered by SPP subsequent to the ninety (90) day period after SPP declares the Unpaid Obligation pursuant to Section V.D.1 of this Attachment
L, shall first be applied to satisfy outstanding costs of enforcement and collection of the Unpaid Obligation, and any other amount due to SPP under the Tariff or any other agreements. Any remaining funds attributable to such an Unpaid Obligation, together with any remaining interest and late charges collected with respect to the Unpaid Obligation, shall be distributed pro rata to the Transmission Providers and Upgrade Sponsors, using the same procedure specified under Section V.D.2 of this Attachment L.

E. Default of Both Market Service and Tariff Section 7 Invoices

In the event a Market Participant simultaneously Defaults on invoices for Market Services and Tariff Section 7 charges, and notices to cure have been sent as specified in Section 8.3 of the SPP Credit Policy and if the Defaulting Market Participant has attempted to cure its Defaults by making partial payments to the Unpaid Obligations, SPP shall segregate such partial payment(s) from other funds. Such segregated partial payments shall accumulate until the full amount for all Unpaid Obligations is cured by a series of two or more partial payments. In the event that the Defaulting Market Participant does not satisfy the entire Unpaid Obligation in full within 90 days of the Default, SPP shall remit to the Transmission Owners impacted by Section V.D. of this Attachment L and to Market Participants impacted by Section V.C. of this Attachment L the segregated amount pursuant to Sections V.D. and V.C., respectively. To the extent the Defaulting Market Participant has identified the invoice(s) with which such partial payments were associated or to the extent SPP reasonably identifies such invoice(s), such partial payments shall be distributed in accordance with the provisions for the type of service identified for the associated invoice(s). In the event the Defaulting Market Participant has not indicated the invoice(s) that partial payments are directed to and SPP does not reasonably determine which invoice(s) are associated with such partial payments, SPP shall remit to all Market Participants the percentage of such partial payments as the amount they were originally owed of the combined unpaid invoices. This remittance will occur 90 days after the date of Default or sooner should by any means the Market Participant’s Service Agreement be terminated.
I. PURPOSE

This loss compensation procedure will be used to quantify transmission loss energy that the Transmission Customer is responsible for under this Tariff. The Transmission Customer shall be responsible for loss energy to the Transmission Owner(s) affected by the transactions as set forth below.

Each Transmission Owner shall maintain a schedule showing its allocation of loss energy for the provision of transmission service on its system. For the Commission regulated Transmission Owners, these allocations shall be pursuant to Commission approved schedules. The average loss factor for each Transmission Owner is stated in Appendix 1 to this Attachment M.

II. LOSS DETERMINATION - NETWORK INTEGRATION TRANSMISSION SERVICE

The Network Customer is responsible for losses, associated with Network Integration Transmission Service to its Network Load, to each Zone in which its Network Load is located for the purposes of determining charges under Schedule 9 and Schedule 11 to this Tariff. The Network Customer’s loss responsibility is the product of the Zone loss factor stated in Appendix 1 to this Attachment M and the hourly metered Network Load for the hour that is coincident with the applicable Zone monthly peak load hour and such loss responsibility shall be included when calculating that Network Customer’s Load Ratio Share. Loss energy associated with hourly energy settlement under the Integrated Marketplace shall be accounted for under the settlement procedures for the Energy and Operating Reserve Markets specified in Attachment AE. Western-UGP losses will be settled in accordance with 39.3(e) Western-UGP Federal Service Exemption.

III. LOSS DETERMINATION - POINT-TO-POINT TRANSMISSION SERVICE

Loss energy shall not be separately calculated for Point-To-Point Transmission Service for the purposes of calculating charges under Schedule 7 and Schedule 8 to this Tariff. Loss energy associated with settlement of Point-To-Point Transmission Service schedules in the Integrated Marketplace shall be accounted for under the settlement procedures for the Energy and Operating Reserve Markets specified in Attachment AE.
| Zone 1: | American Electric Power – West | 2.90 |
| Zone 2: | Reserved for Future Use | |
| Zone 3: | City Utilities of Springfield, Missouri | 2.00 |
| Zone 4: | Empire District Electric Company | 2.71 |
| Zone 5: | Grand River Dam Authority | 3.50 |
| Zone 6: | Kansas City Power & Light Company | 1.90 |
| Zone 7: | Oklahoma Gas & Electric Company | 3.00 |
| Zone 8: | Midwest Energy, Inc. | 4.26 |
| Zone 9: | KCP&L Greater Missouri Operations Company | 1.92 |
| Zone 10: | Southwestern Power Administration | 4.00 |
| Zone 11: | Southwestern Public Service | 3.0111 |
| Zone 12: | Sunflower Electric Power Corporation | 5.96 |
| Zone 13: | Western Farmers Electric Cooperative | 3.00 |
| Zone 14: | Westar Energy, Inc. (Kansas Gas & Electric and Westar Energy) | 3.07 |
| Zone 15: | Mid-Kansas Electric Company | 6.32 |
| Zone 16: | Lincoln Electric System | 1.07 |
| Zone 17: | Nebraska Public Power District | 2.40 |
| Zone 18: | Omaha Public Power District | 1.20 |
| **Zone 19:** | **Upper Missouri Zone** | **4.00** |
ATTACHMENT T
RATE SHEETS FOR POINT-TO-POINT TRANSMISSION SERVICE

Upper Missouri Zone

Rate Sheet for Point-To-Point Transmission Service

The currently effective rates for Point-To-Point Transmission Service in the Upper Missouri ("UMZ") rate zone are set forth in the “UMZ PTP Rate Att T” tab of the Revenue Requirements and Rates File (“RRR File”) posted on the SPP website. Transmission Owners that have Commission approved rate(s) in the UMZ rate zone are: Basin Electric Power Cooperative (“Basin Electric”); Heartland Consumers Power District (“Heartland”); and Western Area Power Administration, Upper Great Plains Region (“Western-UGP”).

Balanced Portfolio Reallocation Adjustment of Point-To-Point Rates

Rates for Point-To-Point Transmission Service specified in this Attachment T shall be adjusted to reflect any amount reallocated from the Zonal Annual Transmission Revenue Requirement in accordance with Section IV.A of Attachment J. The rates, including any applicable reallocation adjustment, shall be set forth in the RRR File posted on the SPP website.

Firm Point-To-Point Transmission Service

The Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity at the sum of the applicable charges based upon the rates set forth in the RRR File, calculated pursuant to the formula rates of Basin Electric, Heartland, and Western-UGP, including any ATRR associated with facility credits provided in the UMZ rate zone, set forth in Attachment H, Addendums (list appropriate addendums, respectively) of the Tariff, and as described below:

2. Monthly delivery: the sum of the Basin Electric, Heartland, and Western-UGP yearly Annual Transmission Revenue Requirement formula rates, including any ATRR associated with facility credits provided in the UMZ.
rate zone, divided by the UMZ total load estimate and divided by 12 months (to three significant digits).

3. Weekly delivery: the UMZ Yearly delivery rates divided by 52.


Non-Firm Point-To-Point Transmission Service

The Transmission Customer shall compensate the Transmission Provider for Non-Firm Point-To-Point Transmission Service up to the sum of the applicable charges based upon the rates set forth in the RRR File, calculated pursuant to the formula rates of Basin Electric, Heartland, and Western-UGP, including any ATRR associated with facility credits provided in the UMZ rate zone, and as described below:

1. Monthly delivery: the sum of the Basin Electric, Heartland, and Western-UGP yearly Annual Transmission Revenue Requirement formula rates, including any ATRR associated with facility credits provided in the UMZ rate zone, divided by the UMZ total load estimate and divided by 12 months (to three significant digits).

2. Weekly delivery: the UMZ Monthly delivery rates multiplied by 12 and divided by 52.


4. Hourly delivery: the UMZ Monthly delivery rates divided by 730 hours per month.
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<th>Buying Party</th>
<th>FERC Sch.</th>
<th>Type of Service</th>
<th>Termination Provisions</th>
<th>Capacity (MW)</th>
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