



**Southwest Power Pool, Inc.**  
**CORPORATE GOVERNANCE COMMITTEE MEETING**

**January 23, 2006**  
**Teleconference**

**• A G E N D A •**

11 a.m. CST

1. Call to Order and Administrative Items ..... Nick Brown
2. Board of Directors Evaluation Results ..... Nick Brown
3. Officers 360 Evaluation Results ..... Nick Brown
4. Current Vacancies ..... Stacy Duckett
  - a. Corporate Governance Committee
  - b. Strategic Planning
  - c. Members Committee
5. 2006 Expirations ..... Stacy Duckett
6. SPA Request for Vote ..... Stacy Duckett
7. Members Committee/Election Process ..... Nick Brown

**Southwest Power Pool**  
**CORPORATE GOVERNANCE COMMITTEE MEETING**

**September 1, 2005**

**Teleconference**

**• M I N U T E S •**

**Agenda Item 1 – Administrative Items**

SPP Chair Nick Brown called the meeting to order at 2:01 p.m. Other members in attendance or represented by proxy were: Jim Eckelberger (Director), Kevin Easley (GRDA), Mel Perkins (OG+E), Jim Stanton (Calpine), Dave Christiano (City of Springfield), and Steve Parr (KEPCo). Also in attendance were: Trudy Harper (Tenaska), Harry Skilton (Director), and Michael Desselle (AEP). SPP Staff included Stacy Duckett.

**Agenda Item 2 – Expiring Terms**

Nick Brown discussed the Board of Directors expiring terms (Terms - Attachment 1). Mel Perkins moved to nominate Josh Martin and Larry Altenbaumer to new terms. Steve Parr seconded the motion, which passed unanimously.

Nick Brown discussed the Members Committee expiring terms. Kevin Easley moved to nominate Harry Dawson, Steve Parr, and Mike Yeager to new terms. Jim Stanton seconded the motion, which passed unanimously. OG+E has expressed interest in filling an IOU position. Kevin Easley moved to nominate Mel Perkins (OG+E) for a new term. Steve Parr seconded the motion, which passed unanimously.

Dave Christiano asked whether the group should reconsider the Markets and Operations Committee (MOPC) chair as well. Mr. Brown explained, per SPP Bylaws, consideration of the MOPC chair would occur in 2006.

**Agenda Item 3 – Board of Directors Evaluation**

Nick Brown discussed the process previously used to conduct the Board of Directors evaluation. The group discussed the form used for the survey (BOD Evaluation Form – Attachment 2). Trudy Harper suggested question(s) related to perceptions of bias. The Staff will provide suggestions. The plan is to distribute the evaluation after the October Board of Directors meeting, with responses due back in late November. The results will be provided at the December Board of Directors meeting as part of the organizational effectiveness review. The evaluation will be distributed to the Board of Directors, the Members Committee and the Market and Operations Committee chair (as before).

**Agenda Item 4 – Role of Board and Members Committee/Feedback from July Meeting**

Nick Brown led a discussion on feedback from the July Board meeting regarding the transmission definition agenda item. The issues are related to the process rather than the outcome. Mr. Brown provided an overview of comments received to date. The question is how much deference should be given to recommendations from technical working groups, while still assuring Board independence. Mr. Brown presented a suggested process. The group decided there was no need to formalize a process at this time.

**Future Meetings**

No future meetings are scheduled.

SPP Corporate Governance Committee Minutes  
September 1, 2005

**Adjournment**

Nick Brown thanked everyone for participating and adjourned the meeting at 2:53 p.m.

Respectfully Submitted,

Stacy Duckett, Secretary



**Southwest Power Pool, Inc.**  
**CORPORATE GOVERNANCE COMMITTEE**  
**January 23, 2006**

**BOARD OF DIRECTORS EVALUATION**

**Background**

Section 6.6(f) of the Bylaws requires that the Corporate Governance Committee coordinate an annual review of the Board of Directors. A survey was provided to the members of the Board of Directors and Members Committee, and the chairman of the MOPC. This survey was developed from various sources.

**Analysis**

As of November 30, 14 surveys were returned. The attached results are a compilation of the responses received. The results are provided in total, as well as by "directors" and "members".

**Action Requested**

Discussion of the results.

**Southwest Power Pool, Inc.**  
**BOARD OF DIRECTORS EVALUATION FORM**  
**November 2005**

	<b>Considerations</b>	<b>5 Strongly Agree</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1 Strongly Disagree</b>	<b>2005 Results</b>	<b>2005 Average</b>	<b>2004 Average</b>
1	Board has full and common understanding of the roles and responsibilities of a Board						N/A	N/A	4.22
2	Board members understand the organization's mission and its services	3 - D	2 - D 3 - M	4 - M	2 - M		4.60 D 3.10 M	3.64	3.50
3	Organization structure is clear (Board, officers, committees, executive and staff)	3 - D	2 - D 7 - M	1 - M	1 - M		4.60 D 3.67 M	4.00	4.28
4	Board has clear goals and actions resulting from relevant and realistic strategic planning	2 - D	1 - M	3 - D 7 - M	1 - M		3.80 D 3.00 M	3.29	3.39
5	Board attends to policy-related decisions which effectively guide operational activities of staff	2 - D	2 - D 5 - M	1 - D 2 - M	2 - M		4.20 D 3.33 M	3.64	3.67
6	Board receives regular reports on finances/budgets, performance and other important matters	1 - D	3 - D 7 - M	1 - D 2 - M			4.00 D 3.78 M	3.86	4.22
7	Board effectively represents the organization to the stakeholder community	3 - D	1 - D 4 - M	1 - D 2 - M	3 - M		4.40 D 3.11 M	3.57	3.28
8	Board meetings facilitate focus and progress on important organizational matters	2 - D	1 - D 4 - M	2 - D 4 - M	1 - M		4.00 D 3.33 M	3.57	3.72
9	Board regularly monitors and evaluates progress toward strategic goals and objectives	1 - D	3 - D 2 - M	1 - D 6 - M	1 - M		4.00 D 3.11 M	3.43	3.22
10	Board regularly evaluates and provides development plans for the Chief Executive	3 - D 1 - M	1 - D 5 - M	1 - D 3 - M			4.40 D 3.78 M	4.00	3.50
11	Each member of the Board is involved and interested in the Board's work	4 - D 3 - M	1 - D 3 - M	3 - M			4.80 D 4.00 M	4.29	4.22
12	All necessary skills, stakeholders and diversity are represented on the Board						N/A	N/A	3.44
13	Board considers the diverse positions of the membership in a non-discriminatory manner	5 - D	3 - M	2 - M	4 - M		5.00 D 2.89 M	3.64	N/A

**Southwest Power Pool Board of Directors Evaluation  
December 1, 2005**

Points on which the Board of Directors should focus attention in 2006

**Member Comments**

- I feel strongly that the board should ensure that the by-laws are followed. If the by-laws do not meet the needs of the organization, then we should change them. It is a slippery slope to head down when we pick and choose when and which by-laws we want to follow.
- 1. Successful launch of the EIS market. 2. Making the SPP region attractive to generation and transmission investors. 3. Keep front and center the reasons for an RTO to exist, which is to mitigate discrimination by vertically integrated utilities and deliver efficient energy products to consumers. 4. Ensure the cost savings identified by the cost/benefit study are realized and/or exceeded. 5. Consult with individual members, not just staff, about their concerns and positive experiences with the SPP process.
- Board needs to reach independent decisions on matters brought to it, not just rubber stamp committee reports, particularly when there are divergent opinions. Not enough accountability for meeting budgets and schedules placed on staff. Start up of Markets is an example.
- Integrate RSC processes and initiatives into those of the SPP stakeholder groups - Ensure the expansion plan and cost allocation plan are fair to all including those that must recover costs from retail jurisdictions - Assist the state jurisdictional entities with approvals necessary to remain members of the SPP RTO
- Learn more about each of the members of SPP. Try to determine how their decisions impact end use consumers. Try to remember that not all companies are rate of return or return on investment oriented. Manage and control expenses effectively.
- Do a better job of balancing the minority opinion with the results of committee work. You are too focused on making everybody happy. Continue to work with Nick in his development as President. Continue to work with Nick and the other officers to assure that they and their staffs are up to the challenges before them.
- One area where I feel the Board should focus is getting more exposure to the Members Senior Management. Hold conferences, make visits to corporate offices, etc. This would add significantly to the organizations credibility. Another area is a better understanding of State and Federal issues and how they interrelate and impact members.
- Progress towards goal of minimizing transmission congestion in region. Progress towards actually seeing new transmission facilities constructed in the region.

## Director Comments

- Long-term strategic planning
- Helping Management ensure that the market implementation happens on time and on budget. Receive education about the changes going on at FERC and NERC and the implications for SPP. Provide appropriate guidance to Management to help manage the significant staff increases budgeted for 2006.
- [1] continue evolution to longer term strategic vision and plans ; [2]Improvement of staff operational reporting to BOD and members ;[3] BOD training ; [4]Facilitate intra BOD interface ; [5] facilitate [BOD] to [CEO & Senior staff] exchange and discussion
- Actually getting transmission built 2. Cost efficacious way to meet reliability organizational issues 3. Making the market and not the membership key to the financial stability of the organization 4 understanding the scope of IRP which would be useful and important to members and regulators 5. Focusing on time to action within the member driven structure 6. Finding ways to combine efforts with sister orgs to share software costs
- assuring that minority and public/consumer interests are not overlooked assuring that transmission is built, not merely planned assuring there are effective means to hear all views and develop consensus without going through formal grievance, investigation or adjudicatory processes



**Southwest Power Pool, Inc.**  
**CORPORATE GOVERNANCE COMMITTEE**  
**January 23, 2006**

**SPP OFFICERS 360 EVALUATION**

**Background**

The Human Resources Committee, at their October 2005 meeting, directed the SPP Human Resources Department to conduct 360 reviews on the SPP officers. Oklahoma Gas and Electric (OG+E) allowed SPP to use their executive 360 form to expedite this process. SPP officers selected their reviewers, both external and internal to SPP including directors, members, and SPP staff. Rating forms were distributed to the reviewers with a requested return date of November 11. All reviews remained anonymous.

**Analysis**

The completed review summaries were sent to OG+E's Human Resources Department for analysis. Nick Brown delivered the review results to the SPP officers.

**Action Requested**

Discussion of the results and format of the SPP Officers 360 Evaluation.



Southwest Power Pool, Inc.  
CORPORATE GOVERNANCE COMMITTEE  
Report to the Board of Directors  
January 31, 2006

**BOARD APPOINTMENT OF COMMITTEE REPRESENTATION**

**Organizational Roster**

The following members represent the Corporate Governance Committee:

Nick Brown, Chair	Director
Jim Eckelberger	Director
Kevin Easley	Grand River Dam Authority
Steve Parr	KepCO
Mel Perkins	OG+E
Jim Stanton	Calpine

**Background**

Dave Christiano, City Utilities of Springfield, retired at the end of 2005. He represented the Municipals sector of the membership on the Members Committee and the Corporate Governance Committee, as well as the Transmission Using sector of the membership on the Strategic Planning Committee.

**Analysis**

As relates to vacancies on the Members Committee, in accordance with Section 5.1.4 *Vacancies* in the Bylaws:

*"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 Corporate Governance Committee met for purposes of selecting an interim representative, that being (Name) from City Utilities of Springfield.

As relates to vacancies on the Corporate Governance Committee, in accordance with Section 6.6 *Corporate Governance Committee* in the Bylaws:

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

Representatives from the Municipals sector of the Membership have selected Harry Dawson from Oklahoma Municipal Power Authority to fill the vacancy on the Corporate Governance Committee.

As relates to vacancies on the Strategic Planning Committee, in accordance with Section 6.2 *Strategic Planning Committee* in the Bylaws:

*"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 Corporate Governance Committee selected Kevin Easley (Transmission Using member, GRDA) as the interim representative to the Strategic Planning Committee and nominates him to the Board of Directors for appointment.

**Recommendation**

- 1) The Corporate Governance Committee asks that the Board of Directors recognize (Name) from City Utilities of Springfield as the representative of the Municipals membership sector on the Members Committee until such time as a special meeting of members can be convened for an election.
- 2) The Corporate Governance Committee asks that the Board of Directors recognize Harry Dawson from Oklahoma Municipal Power Authority as the representative of the Municipals membership sector on the Corporate Governance Committee effective immediately.
- 3) The Corporate Governance Committee nominates Kevin Easley for appointment to the Strategic Planning Committee to fill the Transmission Using member vacancy.

**Action Requested:**            Approve the recommendation



**Southwest Power Pool, Inc.**  
**CORPORATE GOVERNANCE COMMITTEE**

**January 23, 2006**

**TERM EXPIRATIONS/2006**

**Background**

Representatives on the Board of Directors and Members Committee serve 3-year terms. To achieve the initial staggering of terms, seats were assigned one, two and three-year terms. The two-year term positions expire at the end of 2006.

**Analysis**

The Corporate Governance Committee is responsible for nominating candidates for the Board of Directors and the Members Committee to the Membership for consideration and election at the Annual Meeting of Members in October. In each case, the committee is to commence the process to nominate candidates at least three months prior to the October meeting, notifying the President of the specific candidates at least one month prior to the October meeting.

The following positions expire at the end of 2006:

Board of Directors:     Jim Eckelberger  
                                       Harry Skilton

Members Committee (sector):     Richard Spring (IOU)  
   Gary Roulet (Cooperatives)  
   Rick Tyler (Cooperatives)  
   Trudy Harper (IPP/Marketer)  
   Kevin Easley (State/Federal Agencies)  
   Current vacant position (Large retail customer)  
   Current vacant position (Public interest/alternative power)

**Action Requested**

Discussion of the process and schedule for presenting nominations at the October 2006 Board of Directors/Members Committee meeting and Annual Meeting of Members.

## SPP BOARD OF DIRECTORS

	<b>TERM EXPIRES</b>
Phyllis Bernard	2007
Nick Brown	N/A
Jim Eckelberger	2006
Quentin Jackson	2007
Josh Martin	2008
Larry Altenbaumer	2008
Harry Skilton	2006

**Class of 2006**

Jim Eckelberger  
Harry Skilton

**Class of 2007**

Phyllis Bernard  
Quentin Jackson

**Class of 2008**

Josh Martin  
Larry Altenbaumer

**SPP MEMBERS COMMITTEE**

<b>SECTOR</b>		<b>COMPANY</b>	<b>TERM EXPIRES</b>
Investor Owned Utilities	Doug Henry	Westar	2007
	Mel Perkins	OG+E	2008
	Richard Spring	KCPL	2006
	Michael Desselle	AEP	2007
Cooperatives	Steve Parr	KEPCo	2008
	Gary Roulet	WFEC	2006
	Gary Voigt	AECC	2007
	Rick Tyler	NTEC	2006
Municipals	vacant		2007
	Harry Dawson	OMPA	2008
IPPs/Marketers	Trudy Harper	Tenaska	2006
	Jim Stanton	Calpine	2007
	Walt Yeager	Cinergy	2008
State/Federal Agencies	Kevin Easley	GRDA	2006
Large Retail Customer	vacant		2008
Small Retail Customer	vacant		2007
Public Interest/ Alternative Power	vacant		2008
	vacant		2006

**Class of 2006**

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

**Class of 2007**

Doug Henry  
 Michael Desselle  
 Gary Voigt  
 Municipal (vacant)  
 Jim Stanton  
 Sm. Retail (vacant)

**Class of 2008**

Mel Perkins  
 Steve Parr  
 Harry Dawson  
 Walt Yeager  
 Lg. Retail (vacant)  
 Publ Int/Alt Pwr (vacant)

# SPP Members

## Investor-Owned

American Electric Power #  
*Public Service Company of Oklahoma*  
*Southwestern Electric Power Company*  
Aquila, Inc.  
*Missouri Public Service #*  
*St. Joseph Light & Power \**  
*WestPlains Energy #*  
Cleco Power LLC #  
Entergy Services, Inc. \*  
Exelon Power Team \*  
Kansas City Power & Light Company #  
OG&E Electric Services #  
Southwestern Public Service Company #  
The Empire District Electric Company #  
Westar Energy, Inc. #  
*Kansas Gas and Electric Company*

## Cooperatives

Arkansas Electric Cooperative Corporation \*  
East Texas Electric Cooperative, Inc. \*  
Kansas Electric Power Cooperative  
Midwest Energy, Inc. \*  
Northeast Texas Electric Cooperative \*  
Sunflower Electric Power Corporation # \*  
Tex-La Cooperative of Texas, Inc. \*  
Western Farmers Electric Cooperative #

## Municipals

City of Clarksdale, Mississippi \*  
City of Lafayette, Louisiana # \*  
City Power & Light, Independence, Missouri # \*  
City Utilities, Springfield, Missouri \*  
Oklahoma Municipal Power Authority  
Public Service Comm. of Yazoo City, Mississippi \*  
The Board of Public Utilities, Kansas City, Kansas # \*

## State Agencies

Grand River Dam Authority #  
Louisiana Energy & Power Authority #

## Independent Power Producer

Calpine Energy Services, L.P. \*  
Redbud Energy, L.P. \*  
Tenaska Power Services Company \*

## Marketers

Aquila Power - Aquila, Inc. \*  
Cargill Power Markets, LLC \*  
Cinergy Corporation \*  
Constellation Energy Commodities Group, Inc. \*  
Coral Power LLC \*  
Dynergy Marketing & Trade \*  
Duke Energy Trading & Marketing \*  
Edison Mission Marketing & Trading, Inc. \*  
El Paso Merchant Energy, L.P. \*  
NRG Power Marketing, Inc. \*  
TXU Energy Trading Company  
Williams Power Company, Inc. \*

## SPP Contract Participants

Southwestern Power Administration

## Statistics

13	Investor-Owned
8	Cooperatives
7	Municipals
2	State Agencies
3	Independent Power Producer
12	Marketers
<hr/>	
45	Members as of 03/01/2005

\* Transmission Dependent Member

# Denotes Control Areas within SPP



**Southwest Power Pool, Inc.**  
**CORPORATE GOVERNANCE COMMITTEE**  
**January 23, 2006**

**SOUTHWESTERN POWER ADMINISTRATION**

**Background**

Southwestern Power Administration (SWPA) was previously a member of SPP. With SPP's approval as an RTO, SWPA withdrew from membership to avoid potential violation of certain federal laws/regulations. SPP currently provides certain services to SWPA under contract. SWPA representatives remain active in SPP activities.

**Analysis**

Pursuant to their contract, SWPA submits this request to hold limited voting rights related to certain matters. Specifically, SWPA seeks:

- To be nominated to committees, working groups, and task forces
- To hold a seat on any full representation committees (MOPC)
- To vote on items dealing with reliability and the treatment of its facilities under the SPP Tariff (excluding the Energy Imbalance Service Market)
- To abstain from any votes of SPP finances or Energy Imbalance Service Market

SPP's Bylaws do not provide for voting seats for non-members.

**Action Requested:** Discussion of the request. This was also discussed at the Strategic Planning Committee on January 19, 2006.



**Southwest Power Pool, Inc.**  
**CORPORATE GOVERNANCE COMMITTEE**  
**January 23, 2006**

**ELECTION PROCESS**

**Background**

Some SPP Members have requested that the nomination/election process for the Members Committee be reviewed and possibly revised.

**Analysis**

The SPP Bylaws provide that the representatives of the Corporate Governance Committee are selected by all members in their respective sectors (Bylaws Section 6.6). Members Committee representatives are nominated by the Corporate Governance Committee and elected by the Membership in its entirety (Bylaws Section 5.12). Some Members have suggested that Members Committee representatives – like Corporate Governance Committee representatives – be nominated by sector. In the alternative, the Corporate Governance Committee could be required to solicit a straw vote of each sector prior to nominating a candidate.

**Recommendation**

Discussion of the Members Committee election process.