



**Southwest Power Pool**  
**REGIONAL ENTITY TRUSTEES**  
**July 25, 2007**  
**Marriott Country Club Plaza, Kansas City, MO**

• M I N U T E S •

**Agenda Item 1 – Administrative Items**

John Meyer called the meeting to order at 8:07 a.m. The other members in attendance were: Dave Christiano and Gerry Burrows. Staff in attendance included Ron Ciesiel, Michael Desselle, Charles Yeung, and Stacy Duckett (secretary).

Mr. Meyer referred to draft minutes for the July 11 meeting and asked for corrections or a motion for approval (RET Minutes 7/11/07– Attachment 1). Dave Christiano moved to approve the minutes as presented. Gerry Burrows seconded the motion, which passed unanimously.

**Agenda Item 2 – Past Action Items**

- Staff to develop position description for counsel position; this will be covered in this meeting.
- Stacy Duckett to provide information regarding withholding on fees; this was discussed at the last meeting.
- Stacy Duckett to send out SPP Expense Report form; this has been done.

**Agenda Item 3 - Violations**

Ron Ciesiel reviewed an open violations report.

The group discussed violations in detail, and the process for addressing violations within the new compliance program. Mr. Ciesiel reviewed the fine process; he will provide a more detailed presentation at the August 20 meeting. There are approximately 160 pre-June 18 violations self reported in the SPP footprint among 14 companies. Mitigation dates for all are by the end of 2007, most in the third quarter. Mr. Ciesiel will present the 2008 Compliance Monitoring and Enforcement Program schedule at the October meeting.

**Agenda Item 4 – 2008 Compliance Manager Retreat Report**

Ron Ciesiel reviewed the Compliance Monitoring and Enforcement Program (CMEP) and corresponding proposed Hearing and Settlement Procedures (Attachment 2). This will be reviewed in more detail at the August 20 meeting. The CMEP is consistent across all regions and has been approved by FERC. The Hearing Procedures were developed by the regions; SPP has agreed to utilize these procedures. It will be filed as part of SPP's Delegation Agreement compliance filing. The Settlement Procedures are in development among the regions. The Hearing Procedures and Settlement Procedures will be attached to the CMEP. Trustees should review and send any comments/concerns to Ron Ciesiel.

At their retreat, Compliance managers determined to expand the compliance monitoring program to 60 standards of the 83 currently approved. The goal is to expand to 83 standards in 2009. Inclusion of the CIP standards is pending the outcome of the review of these standards at FERC.

Mr. Ciesiel asked the Trustees to provide feedback as to what information they would like going forward and in what format. He will provide copies of NERC Trustees reports/information as references.

All Regional Entity staff and others working closely with the Regional Entity will re-execute the Standards of Conduct to ensure records are current (Standard of Conduct – Attachment 3).

**Agenda Item 5 – Staffing**

Michael Desselle reviewed a draft position description for a counsel/secretary position for the Regional Entity (Counsel Position Description - Attachment 4). Trustees would like to consider up to 3 candidates for a staff position, with staff coordinating the initial hiring process (posting, resume review, etc.). The Trustees discussed some revisions and feedback on the requirements. John Meyer directed that the revised position description be posted and the hiring process initiated.

**Agenda Item 6 – Bylaws Review**

Stacy Duckett reviewed SPP Bylaws provisions for the Trustees for background (SPP Bylaws – Attachment 5). The group discussed questions and areas for clarification/revisions to meet the compliance filing requirements.

**Agenda Item 7 – Delegation Agreement Review**

The Delegation Agreement review was deferred until the August 20 meeting (Delegation Agreement – Attachment 6).

**Agenda Item 8 – Meeting with FERC Staff – August 21, 2007**

Michael Desselle and Charles Yeung are developing an agenda for consideration. Mr. Desselle reviewed items in the current draft, which the group discussed. The Trustees requested background information on the FERC staff for the August 21 meeting.

**Agenda Item 9 – Review Action Items**

- Ron Ciesiel to provide a more detailed fine process for violations at the August 20 meeting.
- Group to review in more detail the Hearing and Settlement Procedures at the August 20 meeting.
- Staff to post and initiate the hiring process for the counsel position.
- Group to review the Delegation Agreement at the August 20 meeting.
- Michael Desselle is to provide background information on FERC staff prior to the August 21 meeting.
- Group will develop a Board meeting attendance schedule at the August 20 meeting.

**Agenda Item 10 - Future Meetings**

At least one Trustee will attend each regular SPP Board of Directors meeting and provide an update on recent activities. A schedule will be developed at the August 20 meeting. The August 20 meeting will be 1:00 p.m. – 5:00 p.m. in Little Rock. The Trustees will also meet on October 31 in Tulsa, OK.

With no other business, the meeting adjourned to Executive Session.

**Executive Session**

The Trustees finalized compensation for the Executive Director of Compliance.

Respectfully Submitted,

Stacy Duckett  
Secretary



**Southwest Power Pool**  
**REGIONAL ENTITY TRUSTEES MEETING**  
**July 25, 2007**  
**Marriott Country Club Plaza, Kansas City, MO**  
**• A G E N D A •**

8:00 a.m. – 12:30 p.m. CDT

1. Call to Order & Administrative Items ..... Mr. John Meyer
  2. Review of Past Action Items ..... Ms. Stacy Duckett
  3. Violations..... Mr. Ron Ciesiel
    - a. Open
    - b. New
  4. 2008 Compliance Manager Retreat Report ..... Mr. Ron Ciesiel
  5. Staffing ..... Mr. Michael Desselle
  6. Bylaws Review ..... Ms. Stacy Duckett
  7. Delegation Agreement Review..... Ms. Stacy Duckett
  8. Meeting with FERC Staff – August 21, 2007 ..... Mr. Michael Desselle
  9. Review Action Items..... Ms. Stacy Duckett
  10. Future Meetings
- Adjourn for Executive Session



**Southwest Power Pool**  
**REGIONAL ENTITY TRUSTEES**  
**July 11, 2007**  
**Marriott Country Club Plaza, Kansas City, MO**

• M I N U T E S •

**Agenda Item 1 – Administrative Items**

Nick Brown called the meeting to order at 10:00 a.m. The following members were in attendance: Dave Christiano, Gerry Burrows, and John Meyer. Staff in attendance included Ron Ciesiel, Michael Desselle, Charles Yeung, and Stacy Duckett (secretary).

Elect a Chair

The committee discussed the election of a chairman. Gerry Burrows moved to nominate John Meyer. Dave Christiano seconded the motion, which passed with John Meyer abstaining. Nick Brown turned the meeting over to John Meyer.

The Trustees members then drew for terms to establish the three-year staggered terms as required by the Bylaws. The results were:

John Meyer	3 year term expiring 2010
Dave Christiano	2 year term expiring 2009
Gerry Burrows	1 year term expiring 2008

As directed by the Corporate Governance Committee, the initial term year will run through December 2008.

Ratify Budget

Michael Desselle presented the Business Plan and Budget for the SPP Regional Entity developed by the staff for 2008 (2008 Business Plan & Budget – Attachment 1). This budget is due to NERC on July 13 and requires Trustees approval for submission. Following extensive discussion and some revisions, Mr. Burrows moved to approve the 2008 Regional Entity Budget. Mr. Christiano seconded the motion, which passed unanimously. Mr. Desselle will submit the budget to NERC.

Staffing

The Regional Entity Trustees must engage a Director of Compliance (RE Organization Chart – Attachment 2). After adjourning to Executive Session to consider a director, the Trustees acted to engage Ron Ciesiel as the Executive Director of Compliance.

The group then discussed engaging counsel to serve as legal support and a staff secretary to the Regional Entity. The Trustees directed staff to develop a job description for consideration at the next meeting and will provide additional direction at that time. The Trustees also requested a copy of the position description for the Director of Compliance.

Fees and Expenses Reimbursement

Stacy Duckett reviewed the fee schedule and expense reimbursement process (RE Compensation – Attachment 3). Each Trustee needs to advise how he prefers to receive payments (check or direct deposit). Ms. Duckett will report at the next meeting on Social Security requirements and insurance coverage. Ms. Duckett will send the Trustees the SPP Expense Form for their use.

Regional Entity Trustees Meeting  
July 11, 2007

Future Meetings

The group determined to meet during 2007 as follows:

July 25	Kansas City
August 21	Little Rock
October 31	Tulsa

The Trustees will meet otherwise as needed, and will meet the day following the SPP Board of Directors meetings in January, April, July, and October in 2008 (BOD Future Meetings – Attachment 4).

**Agenda Item 2 – Compliance Filing Update**

Nick Brown briefly reviewed requirements of the compliance filing due later this year (SPP Delegation Agreement – Attachment 5). The Corporate Governance Committee will determine Bylaws changes and advise the Trustees of recommendations.

**Agenda Item 3 – NERC Update**

There was no additional report at this time.

**Other**

A Compliance Workshop is scheduled for October 9-10, 2007.

With no other business, the meeting adjourned at 3:57 p.m.

Respectfully Submitted,

Stacy Duckett  
Secretary

Version 7 Dated May 25, 2007

## 1.0 HEARING PROCEDURES

### 1.1 Applicability, Definitions and Interpretation

#### 1.1.1 Procedure Governed

The provisions set forth in this Paragraph 1.0 (“Rules of Procedure”) shall apply to and govern practice and procedure before [REGIONAL ENTITY] in hearings in the United States conducted into (i) whether Registered Entities within [REGIONAL ENTITY]’s area of responsibility have violated Reliability Standards, and (ii) if so, to determine the appropriate mitigation plans as well as any remedial actions, penalties or sanctions in accordance with applicable penalty guidelines approved by FERC pursuant to 18 C.F.R. Section 39.7(g)(2).

#### 1.1.2 Deviation

To the extent permitted by law, any provision in these Rules of Procedure may be waived, suspended or modified by the Hearing Officer, as defined in Paragraph 1.1.5, or the [HEARING BODY], as defined in Paragraph 1.1.5, for good cause shown, either upon the Hearing Officer’s or the [HEARING BODY]’s own motion or upon the motion of any Party.

#### 1.1.3 Standards for Discretion

[REGIONAL ENTITY]’s discretion under these Rules of Procedure shall be exercised to accomplish the following goals:

- a) Integrity of the Fact-Finding Process - The principal goal of the hearing process is to assemble a complete factual record to serve as a basis for a correct and legally sustainable ruling, decision or order.
- b) Fairness - Persons appearing in [REGIONAL ENTITY] proceedings should be treated fairly. To this end, Parties should be given fair notice and opportunity to present explanations, factual information, documentation and legal argument. Action shall be taken as necessary to eliminate any disadvantage or prejudice to a Party that would otherwise result from another Party’s failure to act diligently and in good faith.
- c) Independence - The hearing process should be tailored to protect against undue influence from any Person, Party or interest group.
- d) Balanced Decision-Making - Decisions should be based solely on the facts and arguments of record in a proceeding and by individuals who satisfy the [REGIONAL ENTITY]’s conflict of interest policy.
- e) Impartiality - Persons appearing before the [HEARING BODY] should not be subject to discriminatory or preferential treatment. Registered Entities should be

treated consistently unless a reasonable basis is shown in any particular proceeding to depart from prior rulings, decisions or orders.

- f) Expedition - Proceedings shall be brought to a conclusion as swiftly as is possible in keeping with the other goals of the hearing process.

#### **1.1.4 Interpretation**

- a) These Rules of Procedure shall be interpreted in such a manner as will aid in effectuating the Standards for Discretion set forth in Paragraph 1.1.3, and so as to require that all practices in connection with the hearings shall be just and reasonable.
- b) Unless the context otherwise requires, the singular of a term used herein shall include the plural and the plural of a term shall include the singular.
- c) To the extent that the text of a rule is inconsistent with its caption, the text of the rule shall control.

#### **1.1.5 Definitions**

Unless otherwise defined, the following terms shall have the following meanings:

“Bulk-Power System,” for the purposes of these procedures, has the identical meaning as the definition of “Bulk Electric System” under the NERC Glossary.

“[HEARING BODY]” [                      ]. No two industry sectors may control any decision and no single segment may veto any matter brought before the [HEARING BODY] either before or after any recusals or disqualifications in accordance with Paragraph 1.4.5.

“Clerk,” as designated by the [REGIONAL ENTITY].

“Critical Energy Infrastructure Information” means information about proposed or existing critical infrastructure that: (i) relates to the production, generation, transportation, transmission, or distribution of energy; (ii) could be useful to a person in planning an attack on critical infrastructure; and (iii) does not simply give the location of the critical infrastructure.

“Critical infrastructure” means existing and proposed systems and assets, whether physical or virtual, the incapacity or destruction of which would negatively affect security, economic security, public health or safety, or any combination of those matters.

“Cybersecurity Incident” means a malicious act or suspicious event that disrupts, or was an attempt to disrupt, the operation of those programmable electronic devices and communications networks including hardware, software and data that are essential to the Reliable Operation of the Bulk-Power System.

“Director of Compliance” means the Director of Compliance of [REGIONAL ENTITY], who is responsible for the management and supervision of Compliance Staff.

“ERO” means the Electric Reliability Organization, currently the North American Electric Reliability Corporation, or any successor organization, certified by FERC pursuant to 18 C.F.R. Section 39.3, the purpose of which is to establish and enforce Reliability Standards for the Bulk-Power System subject to FERC review.

“FERC” means the Federal Energy Regulatory Commission.

“Hearing Officer” means an individual employed or contracted by [REGIONAL ENTITY] and designated by [REGIONAL ENTITY] to preside over hearings conducted pursuant to these Rules of Procedure.

“Party” means any Person who is allowed or required to participate in a proceeding conducted pursuant to these Rules of Procedures. The term “Party” as used herein shall include the members of Compliance Staff that participate in a proceeding.

“Penalty” as used herein includes all penalties and sanctions, including but not limited to a monetary or non-monetary penalty; a limitation on an activity, function, operation or other appropriate sanction; or the addition of the Registered Entity to a reliability watch list composed of major violators. Penalties must be within the range set forth in the *Sanction Guidelines of the North American Electric Reliability Council* approved by FERC pursuant to 18 C.F.R. Section 39.7(g)(2), and shall bear a reasonable relation to the seriousness of a Registered Entity’s violation and take into consideration any timely efforts made by the Registered Entity to remedy the violation.

“Person” means any individual, partnership, corporation, governmental body, association, joint stock company, public trust, organized group of persons, whether incorporated or not, or any other legal entity.

“Mitigation Plan” means a plan to eliminate the violation of a Reliability Standard and its underlying causes.

“North American Electric Reliability Council” or “NERC” means North American Electric Reliability Corporation.

“Registered Entity” means each user, owner and operator of the Bulk-Power System within the United States that is required to register with [REGIONAL ENTITY] pursuant to 18 C.F.R. Section 39.2.

“[REGIONAL ENTITY]” means [REGIONAL ENTITY] Corporation.

“[REGIONAL ENTITY]’s area of responsibility” means [REGIONAL ENTITY]’s corporate region.

“Reliable Operation” has the meaning set forth in the Federal Power Act, as it may be amended from time to time.

“Reliability Standards” means standards approved by FERC pursuant to 18 C.F.R. Section 39.5, as such standards are authorized and in effect from time to time.



“Remedial Action Directive” means an action (other than a penalty or sanction) required that (1) is to bring a Registered Entity into compliance with a Reliability Standard or to avoid a Reliability Standard violation, and (2) is immediately necessary to protect the reliability of the bulk power system from an imminent threat.

“Respondent” means the Registered Entity who is a Party to a proceeding and the subject of the Notice of Alleged Violation or contested Mitigation Plan that is the basis for the proceeding, whichever is applicable.

“Rules of Procedure” means the rules of [REGIONAL ENTITY] as set forth in this Paragraph 1.

“Staff” or “Compliance Staff” means individuals employed or contracted by [REGIONAL ENTITY] who have the authority to make initial determinations of compliance or violation with Reliability Standards by Registered Entities and associated Penalties and Mitigation Plans. Staff members may participate and be represented by counsel in [REGIONAL ENTITY] proceedings, and shall have the rights and duties of any Party. Staff members must satisfy [REGIONAL ENTITY]’s conflict of interest policy.

“Technical Advisor” means any Staff member, third-party contractor, or industry stakeholder who satisfies [REGIONAL ENTITY]’s conflict of interest policy and is selected to assist in a proceeding by providing technical advice to the Hearing Officer and/or the [HEARING BODY].

## **1.2 General Provisions including Filing, Service, Transcription and Participation**

### **1.2.1 Contents of Filings**

All filings made with [REGIONAL ENTITY] must contain:

- a) A caption that sets forth the title of the proceeding and the designated docket number or, if the filing initiates a proceeding, a space for the docket number;
- b) A heading that describes the filing and the Party on whose behalf the filing is made;
- c) The full name, address, telephone number and email address of the Party or the representative of the Party making the filing;
- d) A plain and concise statement of any facts upon which the filing is based, which facts shall be supported by citations to the record if available; and
- e) The specific relief sought, which may be in the alternative, and the authority that provides for or otherwise allows the relief sought.

### **1.2.2 Form of Filings**

- a) All filings shall be typewritten, printed, reproduced or prepared using a computer or other word or data processing equipment on white paper 8½ inches by 11 inches with inside text margins of not less than one inch. Page numbers shall be centered and have a bottom margin of not less than ½ inch. Line numbers, if any, shall have a left-hand margin of not less than ½ inch. The impression shall be on one side of the paper only and shall be double spaced; footnotes may be single spaced and quotations may be single spaced and indented.
- b) All pleadings shall be composed in either Arial or Times New Roman font, black type on white background. The text of pleadings or documents shall be at least 12-point. Footnotes shall be at least 10-point. Other material not in the body of the text, such as schedules, attachments and exhibits, shall be at least 8-point.
- c) Reproductions may be by any process provided that all copies are clear and permanently legible.
- d) Testimony prepared for the purpose of being entered into evidence shall include line numbers on the left-hand side of each page of text. Line numbers shall be continuous.
- e) Filings may include schedules, attachments or exhibits of a numerical or documentary nature which shall, whenever practical, conform to these requirements; however, any log, graph, map, drawing, chart or other such document will be accepted on paper larger than prescribed in subparagraph (a) if it cannot be provided legibly on letter size paper.

### **1.2.3 Submission of Documents**

a) Where to File

Filings shall be made with the Clerk of the [REGIONAL ENTITY] located at the principal office of [REGIONAL ENTITY]: The office will be open from [REGIONAL ENTITY] business hours] local time each day except Saturday, Sunday, legal holidays and any other day declared by the [REGIONAL ENTITY].

b) When to File

Filings shall be made within the time limits set forth in these Rules of Procedure or as otherwise directed by the Hearing Officer or the [HEARING BODY]. Filings will be considered made when they are date stamped received by the Clerk. To be timely, filings must be received no later than [REGIONAL ENTITY close of business] local time on the date specified.

c) How to File

Filings may be made by personal delivery, mailing documents that are properly addressed with first class postage prepaid, or depositing properly addressed documents with a private express courier service with charges prepaid or payment arrangements made.

d) Number of Copies to File

One original and five exact copies of any document shall be filed. The Clerk will provide each member of the [HEARING BODY] with a copy of each filing.

e) Signature

The original of every filing shall be signed by the Party on whose behalf the filing is made, either by an attorney of the Party or, by the individual if the Party is an individual, by an Officer of the Party if the Party is not an individual, or if the Party is Staff, by a designee authorized to act on behalf of Staff. The signature on a filing constitutes a certificate that the signer has read the filing and knows its contents, and that the contents are true to the best of the signer's knowledge and belief.

f) Verification

The facts alleged in a filing need not be verified unless required by these Rules of Procedure, the Hearing Officer or the [HEARING BODY]. If verification is required, it must be under oath by a person having knowledge of the matters set forth in the filing. If any verification is made by an individual other than the signer, a statement must be attached to the verification explaining why a person other than the signer is providing verification.

g) Certificate of Service

Filings shall be accompanied by a certificate of service stating the name of the individuals served, the Parties whose interests the served individuals represent, the date on which service is made, the method of service and the addresses to which service is made. The certificate shall be executed by the individual who made the service.

#### **1.2.4 Service**

a) Service List

For each proceeding, the Clerk shall prepare and maintain a list showing the name, address, telephone number, and facsimile number and email address, if available, of each individual designated for service. The Hearing Officer, Director of Compliance and the Registered Entity's designated agent for service shall automatically be included on the service list. Parties shall identify all other individuals whom they would like to designated for service in a particular proceeding in their Appearances. Parties may change the individuals designated for service in any proceeding by filing a notice of change in service list in the proceeding. Parties are required to update their service lists to ensure accurate service throughout the course of the proceeding. Copies of the service list may be obtained from the Clerk.

b) By Parties

Any Party filing a document in a proceeding must serve a copy of the document on each individual whose name is on the service list for the proceeding. Unless otherwise provided, service may be made by personal delivery, email, deposit in the United States mail properly addressed with first class postage prepaid, registered mail properly addressed with postage

prepaid or deposit with a private express courier service properly addressed with charges prepaid or payment arrangements made.

c) By the Clerk

The Clerk shall serve all issuances of the Hearing Officer and [HEARING BODY] upon the members of the [HEARING BODY] and each individual whose name is on the service list for the proceeding. Service may be made by personal delivery, email, deposit in the United States mail properly addressed with first class postage prepaid, registered mail properly addressed with postage prepaid or deposit with a private express courier service properly addressed with charges prepaid or payment arrangements made. The Clerk shall transmit a copy of the record of a proceeding to the ERO at the time it serves the ERO with either (1) a Notice of Penalty, or (2) a [HEARING BODY] Final Order that includes a Notice of Penalty.

d) Effective Date of Service

Service by personal delivery or email is effective immediately. Service by mail or registered mail is effective upon mailing; service by a private express courier service is effective upon delivery to the private express courier service. Unless otherwise provided, whenever a Party has the right or is required to do some act within a prescribed period after the service of a document upon the Party, four (4) days shall be added to the prescribed period when the document is served upon the Party by mail or registered mail.

### **1.2.5 Computation of Time**

The time in which any action is required to be done shall be computed by excluding the day of the act or event from which the time period begins to run, and by including the last day of the time period, unless the last day is a Saturday, Sunday, legal holiday or any other day upon which the Office of [REGIONAL ENTITY] is closed, in which event it also shall be excluded and the date upon which the action is required shall be the first succeeding day that is not a Saturday, Sunday, legal holiday, or day upon which the Office of [REGIONAL ENTITY] is closed. The time in which any action is required to be done shall be computed by excluding intermediate Saturdays, Sundays, and legal holidays, or days upon which the Office of [REGIONAL ENTITY] is closed when the period is less than fifteen (15) days.

### **1.2.6 Extensions of Time**

Except as otherwise provided by law, the time by which a Party is required or allowed to act may be extended by the Hearing Officer or [HEARING BODY] for good cause upon a motion made before the expiration of the period prescribed. If any motion for extension of time is made after the expiration of the period prescribed, the Hearing Officer or [HEARING BODY] may permit performance of the act if the movant shows circumstances sufficient to justify the failure to act in a timely manner.

### **1.2.7 Amendments**

Amendments to any documents filed in a proceeding may be allowed by the Hearing Officer or the [HEARING BODY] upon motion made at any time on such terms and conditions as are deemed to be just and reasonable.

### **1.2.8 Transcripts**

A full and complete record of all hearings, including any oral argument shall be transcribed verbatim by a certified court reporter, except that the Hearing Officer may allow off-the-record discussion of any matter provided the Hearing Officer states the ruling on any such matter, and the Parties state their positions or agreement in relation thereto, on the record. Unless otherwise prescribed by the Hearing Officer, a Party may file and serve suggested corrections to any portion of the transcript within thirty-five (35) days from the date on which the relevant portion of the transcript was taken, and any responses shall be filed within ten (10) days after service of the suggested corrections. The Hearing Officer shall determine what changes, if any, shall be made, and shall only allow changes that conform the transcript to the truth and ensure the accuracy of the record.

[REGIONAL ENTITY] will pay for transcription services, for a copy of the transcript for the record and for a copy of the transcript for Staff. Any other Party shall pay for its own copy of the transcript if it chooses to obtain one and, should any Party seek to obtain a copy of the transcript on an expedited basis, it shall pay for the expedited transcription services.

### **1.2.9 Rulings, Notices, Orders and Other Issuances**

Any action taken by the Hearing Officer or the [HEARING BODY] shall be recorded in a Ruling, Notice, Order or other applicable issuance, such as a transcript, and is effective upon the date of issuance. All notices of hearings shall set forth the date, time and place of hearing.

### **1.2.10 Location of Hearings and Conferences**

All hearings oral arguments shall be held at the principal office of [REGIONAL ENTITY] unless the Hearing Officer or [HEARING BODY] elects a different location.

### **1.2.11 Party Participation**

Parties may appear at any hearing via teleconference subject to the approval of the Hearing Officer and, in the event of oral argument, the [HEARING BODY], except that witnesses shall personally appear at the evidentiary hearing if required by Paragraph 1.6.6.

### **1.2.12 Interventions Are Not Permitted**

The Respondent and Staff shall be Parties to the proceeding. Unless otherwise authorized by FERC, a Person that is not a Party to a docketed proceeding is not permitted to intervene or otherwise become a Party to that proceeding.

### **1.2.13 Proceedings Closed to the Public**

No hearing, oral argument or meeting of the [HEARING BODY] shall be open to the public, and no notice, ruling, order or any other issuance of the Hearing Officer or [HEARING BODY] made in any proceeding shall be publicly released unless the ERO or FERC determine that public release is appropriate. Only the members of the [HEARING BODY], the Parties, the Hearing Officer and the Technical Advisors, if any, shall be allowed to participate in or obtain information relating to a proceeding.

#### **1.2.14 Docketing System**

The Clerk shall maintain a system for docketing proceedings. A docketed proceeding shall be created upon the issuance of a Notice of Alleged Violation. Unless NERC provides a different docketing system that will be used uniformly by the Regional Entities, docket numbers shall be assigned sequentially beginning with a two digit number that relates to the last two digits of the year in which the docket is initiated, followed by a dash (“-”), followed by the letters “[RE]”, followed by a dash (“-”), followed by a four digit number that will be “0001” on January 1 of each calendar year and ascend sequentially until December 31 of the same calendar year.

#### **1.2.15 Hold Harmless**

A condition of participating in a hearing is that the Party agrees [REGIONAL ENTITY], including without limitation its members, Board, compliance committee, any other committees or subcommittees, Staff, contracted employees, Hearing Officers and Technical Advisors, shall not be liable, and shall be held harmless against the consequences of, or any action or inaction arising out of, the hearing process, or of any agreement reached in resolution of a dispute or any failure to reach agreement as a result of a proceeding. This “hold harmless” clause does not extend to matters constituting gross negligence or intentional misconduct.

### **1.3 Initiation of the Hearing Process**

#### **1.3.1 Registered Entity’s Option to Request a Hearing**

Except when contesting a Remedial Action Directive pursuant to section 1.8 of these procedures, a Registered Entity may file a statement with the [REGIONAL ENTITY] requesting a hearing if either:

- a) The Registered Entity files a Response to a Notice of Alleged Violation that contests either the alleged violation, the proposed Penalty, or both; or
- b) The Compliance Staff submits to the Registered Entity a statement identifying a disagreement with a Registered Entity’s proposed Mitigation Plan.

A Registered Entity must file its hearing request within forty (40) days after (i) the Registered Entity files its Response to the Notice of Alleged Violation; or (ii) the Compliance Staff submits to the Registered Entity its statement identifying a disagreement with the Registered Entity’s proposed Mitigation Plan, whichever is applicable. If the Registered Entity does not file a hearing request within the time period set forth in this Paragraph, then the Registered Entity will be deemed to have agreed and waived any objection to the proposed Penalty, the alleged

violation or the Compliance Staff's stated position on the Mitigation Plan, whichever is applicable.

Either a Notice of Alleged Violation issued to a Registered Entity or a Staff statement setting forth its disagreement with a Registered Entity's proposed Mitigation Plan shall clearly state that the Registered Entity has the option to contest the alleged violation, proposed Penalty, or both, or the Compliance Staff's position on the proposed Mitigation Plan, under either the shortened hearing procedure pursuant to Paragraph 1.3.2 or the full hearing procedure described in Sections 1.4 to 1.7. If the Registered Entity files a hearing request within the requisite time period, it shall state within its hearing request whether it requests the shortened hearing procedure pursuant to Paragraph 1.3.2 or the full hearing procedure described in section Sections 1.4 to 1.7. If the Registered Entity requests the full hearing procedure, the full hearing procedure shall apply. If the Registered Entity requests the shortened hearing procedure, Compliance Staff shall submit a filing within five (5) days of the Registered Entity's hearing request that states whether Staff agrees to use the shortened hearing procedure. If Staff either fails to file or files but does not agree to use the shortened hearing procedure, then the full hearing procedure shall apply. Once either the full or shortened hearing procedure has been selected, the Parties shall not be allowed to revert to the non-selected hearing procedure unless the Parties mutually agree.

A Registered Entity shall attach to a request for hearing whichever of the following are applicable:

- a) The Registered Entity's self-report of a violation;
- b) The Notice of Alleged Violation and the Registered Entity's Response thereto; and/or
- c) The Registered Entity's proposed Mitigation Plan and the Compliance Staff's statement identifying its disagreement with the proposed Mitigation Plan.

### **1.3.2 Shortened Hearing Procedure**

The shortened hearing procedure shall be as set forth in this Paragraph. The rules applicable to the full hearing procedure shall apply to the shortened hearing procedure unless a rule's context is inconsistent with the procedure set forth in this Paragraph or otherwise renders it inapplicable to the shortened hearing procedure.

The [HEARING BODY] may utilize a Hearing Officer to preside over the shortened hearing process in accordance with Paragraph 1.4.2. But, no evidentiary hearing will be held in the shortened hearing procedure and the Parties will not present witness testimony or file briefs, except briefs on exceptions may be allowed pursuant to Subparagraph (g). Instead, the following events shall take place within the following periods:

- a) The Prehearing Conference shall be held within seven (7) days after the date on which the Notice of Hearing is issued. In addition to any other matters set forth in Paragraph 1.5.2 that may apply, the Prehearing Conference will be used to

develop a schedule for the preparation and submission of comments in accordance with Subparagraphs (c) through (e).

- b) Within seven (7) days after the date on which the Notice of Hearing is issued, Staff shall make documents available to the Registered Entity for inspection and copying pursuant to Paragraph 1.5.7.
- c) Within twenty-one (21) days of the Prehearing Conference, the Staff shall file:
  - 1) initial comments stating Staff's position on all issues and the rationale in support of its position, including all factual and legal argument;
  - 2) all documents that Staff seeks to introduce in support of its position that are not already in the record; and
  - 3) a verification attesting to the truthfulness of the facts alleged in the filing.
- d) Within fourteen (14) days of Staff's initial comment filing pursuant to Subparagraph (c), the Registered Entity shall file:
  - 1) responsive comments stating the Registered Entity's position on all issues and the rationale in support of its position, including all factual and legal argument, which comment also may respond to Staff's initial comments;
  - 2) all documents that the Registered Entity seeks to introduce in support of its position that are not already in the record; and
  - 3) a verification attesting to the truthfulness of the facts alleged in the filing.
- e) Within seven (7) after the Registered Entity's responsive comment filing pursuant to Subparagraph (d), Staff shall file reply comments that shall be limited in scope to responding to the Registered Entity's responsive comments and be supported by a verification attesting to the truthfulness of the facts alleged in the filing. Staff shall not submit any additional documents in support of its position as part of this filing except upon motion and good cause shown. If Staff is allowed to file additional documents in support of its position based upon such a motion, the Registered Entity shall have the right to file additional documents in support of its position that are responsive to the additional documents that Staff is allowed to file provided that any additional Registered Entity filing also shall be verified.
- f) The Hearing Officer shall issue an initial opinion within twenty-one (21) days of the Staff's reply comments filing pursuant to Subparagraph (e).
- g) If either Party requests, the Hearing Officer shall allow each Party to file, within seven (7) days of the Hearing Officer's initial opinion, exceptions to the Hearing Officer's initial opinion in a brief designated "Brief on Exceptions" in accordance with Paragraph 1.7.4. No replies to Briefs on Exceptions shall be allowed.



- h) The [HEARING BODY] shall strive, but is not required, to issue a Final Order within ninety (90) days of the Notice of Hearing.

The Hearing Officer or [HEARING BODY] may modify any time period set forth within this Paragraph as warranted by the circumstances but it will be the objective of the [HEARING BODY] to issue the Final Order within ninety (90) days of the Notice of Hearing.

## **1.4 General Hearing Procedure**

### **1.4.1 Notice of Hearing**

Within seven (7) days of a Registered Entity requesting a hearing pursuant to Paragraph 1.3, the Clerk shall issue a Notice of Hearing in the docket. The Notice of Hearing shall identify the Hearing Officer, if designated at that time, and the date, time, and place for the prehearing conference, which should occur no later than fourteen (14) days after the Notice of Hearing.

### **1.4.2 Hearing Officer**

[REGIONAL ENTITY] may utilize a Hearing Officer to preside over each hearing conducted pursuant to these Rules of Procedure, provided that the Hearing Officer's actions shall be subject to the authority of the [HEARING BODY] as set forth in Paragraph 1.4.3. The [HEARING BODY] reserves its right to attend any aspect of the hearing as a body or by individual members.

The [HEARING BODY] may delegate to the Hearing Officer authority over the conduct of the hearing, including administering the hearing from the prehearing conference through the issuance of the initial opinion and any administrative hearing functions thereafter, and the responsibility for submission of the matter to the [HEARING BODY] for final decision through the presentation to the [HEARING BODY] of an initial opinion. The Hearing Officer shall have those duties and powers necessary to those ends, consistent with and as further enumerated in these Rules of Procedure, including the following:

- 1) To administer oaths and affirmations;
- 2) To schedule and otherwise regulate the course of the hearing, including the ability to call to recess, reconvene, postpone or adjourn a hearing;
- 3) To separate any issue or group of issues from other issues in a proceeding and treat such issue(s) as a separate phase of the proceeding;
- 4) To modify any time period, if such modification is in the interest of justice and will result in no undue prejudice to any other Party;
- 5) To supervise discovery;
- 6) To conduct prehearing conferences, status hearings and evidentiary hearings;
- 7) To rule upon all objections, motions and other requests that do not result in the final determination of the proceeding;

- 8) To rule on and receive evidence;
- 9) To call upon a Party to produce further evidence that is material and relevant to any issue;
- 10) To issue initial opinions; and
- 11) To ensure that hearings are conducted in a full, fair and impartial manner, that order is maintained and that unnecessary delay is avoided in the disposition of the proceedings.

If the [HEARING BODY] uses a Hearing Officer to preside over a hearing, the [HEARING BODY] shall disclose the identity and professional affiliations of the Hearing Officer within two (2) days of the Hearing Officer's assignment to the proceeding, and Parties to the hearing may raise objections to the Hearing Officer's participation in accordance with Paragraph 1.4.5.

### **1.4.3 [HEARING BODY]**

The [HEARING BODY] is vested with the authority to issue an order resolving the issue(s) in all cases. To that end:

- 1) The [HEARING BODY] shall be entitled to receive all filings in a hearing, including but not limited to all issuances of the Hearing Officer, all motions and responses thereto, and all written testimony and evidence.
- 2) The [HEARING BODY] or any individual member thereof shall be entitled, but not required, to attend any prehearing conference, status hearing or evidentiary hearing, and/or to submit questions to the Hearing Officer to submit to a Party or any witness at any such hearing.
- 3) The [HEARING BODY] shall have the same authority as the Hearing Officer, as set forth in these Rules of Procedure, to require the Parties or any individual Party to: (i) address a specific issue in testimony, evidence or briefs; (ii) present oral argument on an issue; (iii) file pre-evidentiary hearing memorandums; or (iv) produce further evidence that is material and relevant to any issue. To this end, the [HEARING BODY] shall be entitled to issue questions or requests for information to any Party or any witness at any time until the issuance of a Final Order.
- 4) The [HEARING BODY] or any individual member thereof shall be entitled to offer information or documents, including books, papers, logs, graphs, maps, drawings, charts or any other written material, for submission into the evidentiary record at any time until the issuance of a Final Order; provided that the Parties shall be provided an opportunity to object to the introduction of such information or documents into the evidentiary record, and to present testimony and other evidence in relation to such information or documents. The [HEARING BODY] and individual members thereof shall strive to submit any such information or documents in a timely manner to avoid any undue delay in the hearing process.

- 5) To the extent that the [HEARING BODY] disagrees with any issuance or ruling of the Hearing Officer, it shall be entitled, on its own motion or upon petition for interlocutory review, to reverse or modify the issuance or ruling in whole or in part, or to take any other action as may be appropriate.
- 6) The [HEARING BODY] shall resolve the issue(s) in every hearing through the issuance of a Final Order. In issuing a Final Order, the [HEARING BODY] shall consider the Hearing Officer's initial opinion but shall have the authority to reject, modify or approve the initial opinion in whole or in part.

#### **1.4.4 Interlocutory Review**

A Party shall be allowed to seek interlocutory review of any Hearing Officer ruling with the [HEARING BODY] provided that failure to seek such review shall not operate as a waiver of any objection to such ruling. Unless good cause is shown or unless otherwise ordered by the Hearing Officer or the [HEARING BODY], the Party seeking review shall file a petition for interlocutory review within fourteen (14) days after the date of the action that is the subject of the petition. The petition shall be filed with any offer of proof and supported by affidavit if based on facts that do not appear of record. Responses to petitions for interlocutory review shall be filed within seven (7) days after service of the petition. No replies to responses are allowed. The Hearing Officer shall file a report to the [HEARING BODY] within fourteen (14) days from the filing of the petition.

On review of a Hearing Officer's ruling, the [HEARING BODY] may affirm or reverse the ruling in whole or in part, and may take any other just and reasonable action with respect to the ruling, such as declining to act on an interlocutory basis. Petitions to rehear or reconsider the [HEARING BODY'S] action taken on interlocutory review shall not be allowed. Only in exceptional circumstances shall an interlocutory review of a ruling of the Hearing Officer suspend a hearing.

#### **1.4.5 Disqualification**

A Hearing Officer, Technical Advisor or member of the [HEARING BODY] shall recuse himself or herself from a proceeding if participation would violate [REGIONAL ENTITY]'s applicable conflict of interest policy.

Any Party may file a motion to disqualify or for recusal of a Hearing Officer, Technical Advisor or member of the [HEARING BODY] from a proceeding on grounds of a conflict of interest, an ex parte communication prohibited by section 1.4.7, or the existence of other circumstances that could interfere with the impartial performance of his or her duties. The Party shall set forth and support its alleged grounds for disqualification by affidavit. A motion for disqualification shall be filed within fifteen (15) days after the later of: (1) the time when the Party learns of the facts believed to constitute the basis for disqualification; or (2) the time when the Party is notified of the assignment of the Hearing Officer or Technical Advisor.

The Hearing Officer shall issue a proposed ruling for the [HEARING BODY]'s consideration upon the filing of a motion for disqualification unless the Hearing Officer is the subject of the

motion. The [HEARING BODY], without the participation of any member who is the subject of the motion, shall issue the final ruling. If the Hearing Officer is recused or disqualified, the [HEARING BODY] will appoint a replacement Hearing Officer. To ensure fairness to the parties and expedite completion of the proceeding when a replacement Hearing Officer is appointed after a hearing has commenced, the replacement Hearing Officer may recall any witness or may certify familiarity with any part or all of the record.

If a quorum of the [HEARING BODY] does not remain after any recusals and rulings on motions for disqualification, then the [REGIONAL ENTITY] shall appoint a new member(s) to the [HEARING BODY] to create a quorum, which new member(s) shall serve on the [HEARING BODY] through the conclusion of the proceeding but not thereafter. The [REGIONAL ENTITY] shall only appoint the number of new members as are necessary to create a quorum. Any new member of the [HEARING BODY] shall be subject to the provisions applicable herein to all [HEARING BODY] members.

#### **1.4.6 Technical Advisor**

The Hearing Officer and/or the [HEARING BODY] may elect to use one or more Technical Advisors to assist in any proceeding. Such an election may be made at any time during the course of a proceeding. Any Staff member who serves as a Technical Advisor shall not have been involved in or consulted at any time in regard to in any Compliance Staff investigation, initial determination of violation or Penalty, or assessment of a Registered Entity's proposed Mitigation Plan that resulted in the proceeding in which technical advice would be rendered and shall not be a member of Staff participating in the proceeding on which such technical advice would be rendered.

If the Hearing Officer or [HEARING BODY] uses a Technical Advisor to assist in any hearing, the Hearing Officer or [HEARING BODY] shall disclose the identity and professional affiliations of the Technical Advisor within two (2) days of the Technical Advisor's assignment to the proceeding, and Parties to the hearing may raise objections to the Technical Advisor's participation in accordance with Paragraph 1.4.5.

#### **1.4.7 No Ex Parte Communications**

- a) Once a Registered Entity requests a hearing pursuant to Paragraph 1.3:
  - 1) neither the [HEARING BODY], the Hearing Officer, nor the Technical Advisor(s), if any, may communicate either directly or indirectly with any Person concerning any issue in the proceeding outside of the hearing process; but
  - 2) the [HEARING BODY], the Hearing Officer, and the Technical Advisor(s), if any, may communicate outside of the hearing process either directly or indirectly with a Party or a Party's representative:
    - A) in writing if the writing is simultaneously provided to all Parties; or
    - B) orally if a representative for every Party is present in person or by telephone;

- C) subject to the requirement that the substance of ruling on such issue be memorialized on the record or by the issuance of a notice or ruling, and that any Party objecting to the ruling have the opportunity to state its objection on the record.
- b) This proscription does not prohibit members of the Compliance Staff from communicating with the Registered Entity, and representatives, agents or employees thereof, provided that any member of the Compliance Staff involved in such communication may not be and may not subsequently serve as a Technical Advisor.
- c) This proscription also does not prohibit communications between members of the [HEARING BODY], the Hearing Officer and any Technical Advisor.
- d) Any member of the [HEARING BODY], the Hearing Officer or any Technical Advisor who receives or who makes or knowingly causes to be made a communication prohibited by this Paragraph shall, within seven (7) days of the communication, file and serve on the Parties in the proceeding a Notice of Ex Parte Communication setting forth the date, time and place of communication, and a summary of the substance and nature of the communication and all responses thereto, and, if the communication or any response thereto was in writing, a copy of the written communication shall be attached.

#### **1.4.8 Appearances**

Parties shall file written appearances within seven (7) days of the Notice of Hearing. A Party's written appearance shall identify the name(s) of each individual authorized to represent the Party in the proceeding exclusive of witnesses. An individual may appear on his or her own behalf. A corporation, association, partnership or governmental body may appear by any bona fide officer or designee who has the authority to act on behalf of the Party. A Party also may appear by an attorney.

A Party's written appearance shall state, with respect to each individual that the Party identifies for service, the individual's name, address, telephone number, and facsimile number and email address, if available, where service shall be made.

A Party may withdraw any individual from the Party's representation or otherwise change the identity of individuals authorized to represent the Party in a proceeding by filing a notice of a change in service list.

Any attorney appearing on behalf of a Party shall be licensed to practice and in good standing before the Supreme Court of the United States or the highest court of any State, territory of the United States or the District of Columbia.

Individuals representing Parties in any hearing also shall enter their appearances at the beginning of the hearing by stating their names, addresses, telephone numbers and email addresses orally on the record.

#### **1.4.9 Failure to Appear or Exercise Diligence**

The failure of any Party to appear during any hearing without good cause and without notification may be grounds for dismissal or deciding against the interests of such defaulting Party. Any hearing costs incurred as a failure to appear may be assessed against such Party.

## **1.5 Prehearing Procedure**

### **1.5.1 Waiver of Time Limits**

A Registered Entity that elects the full hearing procedure as set forth in Sections 1.4 to 1.7 shall be deemed to have waived the time limit requirements, if any, in the NERC Rules of Procedure.

### **1.5.2 Prehearing Conference**

The purpose of the prehearing conference shall be to:

- 1) Preliminarily identify the issues;
- 2) Address any discovery issues;
- 3) Explore the possibility of obtaining admissions of fact and of the genuineness of documents that would avoid unnecessary proof;
- 4) Develop a schedule for the preparation and submission of evidence and witness testimony in advance of the evidentiary hearing;
- 5) Schedule a date(s) for the evidentiary hearing; and
- 6) Address such other matters as may aid in the simplification of the evidence and disposition of the proceeding.

### **1.5.3 Summary Disposition**

A Hearing Officer, on the Hearing Officer's own motion or on the motion of a Party, may grant, in whole or in part, a motion for summary disposition if it appears that there are no issues of material fact. If the Hearing Officer is considering summary disposition in the absence of a Party motion, the Hearing Officer shall request the Parties to identify in writing any issues of material fact and to comment on the proposed disposition. Factual information in the Parties' comments shall be supported by affidavit. Following review of the Parties' comments, if it still appears to the Hearing Officer that there are no genuine issues of material fact, the Hearing Officer may proceed without an evidentiary hearing. The Hearing Officer shall, however, allow the Parties the opportunity to file briefs. When the Hearing Officer grants a motion for summary disposition in whole or in part, the ruling shall set forth the rationale for the grant and shall be considered an initial opinion.

### **1.5.4 Status Hearings**

Any Party may request, and the Hearing Officer may call, a status hearing at any time subsequent to the Prehearing Conference to address issues that have arisen between the Parties. Such issues

may include, but are not limited to, discovery disputes and scheduling matters. The Hearing Officer shall direct the Clerk to issue a notice of status hearing that sets forth the date, time and place for the hearing, and identifies the matters to be addressed at the hearing.

### **1.5.5 Motions**

Unless otherwise provided, a Party may file a motion at any time requesting any relief as may be appropriate. Unless a Hearing Officer allows a motion to be made orally on the record, motions shall be filed in writing. Motions based on facts that do not appear of record shall be supported by affidavit. Unless otherwise specified by the Hearing Officer, responses to motions shall be filed within fourteen (14) days after service of the motion, and replies to responses shall be filed within seven (7) days after service of the responses; however, a Hearing Officer may deny dilatory, repetitive, or frivolous motions without awaiting a response. Unless otherwise ordered by a Hearing Officer, the filing of a motion does not stay a hearing proceeding. When the Hearing Officer grants a motion to dismiss a proceeding in whole or in part, the ruling shall set forth the rationale for the grant and shall be considered an initial opinion.

### **1.5.6 Experts**

A Party may employ an expert to testify or consult in a proceeding. Any expert utilized in either capacity shall sign a confidentiality agreement appropriate to the level of involvement in the proceeding. The Party employing the expert shall propose the confidentiality agreement for approval via a motion, and its approval shall be subject, in addition to consideration of any objection, to ensuring that appropriate safeguards are maintained to protect the confidentiality of the proceeding and the information disclosed therein.

### **1.5.7 Inspection and Copying of Documents in Possession of Staff**

#### **(a) Documents to be Available for Inspection and Copying**

(1) Unless otherwise provided by this Rule, or by order of the Hearing Officer or [HEARING BODY], within five (5) days of the notice of hearing, Staff shall make available for inspection and copying by the Respondent, documents prepared or obtained by Staff in connection with the investigation that led to the institution of proceedings. Such documents include but are not limited to:

(A) requests for information;

(B) every written request, including e-mail, directed to persons not employed by the [REGIONAL ENTITY] to provide documents or to be interviewed;

(C) the documents provided in response to any such requests described in (A) and (B) above;

(D) all transcripts and transcript exhibits; and

(E) all other documents obtained from persons not employed by the [REGIONAL ENTITY].

(2) Staff shall promptly inform the Hearing Officer and each other Respondent if, after the issuance of a Notice of Hearing, requests for information are issued related to the same investigation leading to the institution of the proceeding. If Staff receives documents pursuant to a request for information after documents have been made available to a Respondent for inspection and copying as set forth in paragraph (a), and if such documents are material and relevant to the proceeding, the additional documents shall be made available to the Respondent not later than fourteen (14) days after Staff receives such documents. If the hearing is scheduled to begin, Staff shall make the additional documents available to the Respondent not less than ten (10) days before the hearing. If Staff receives such documents ten or fewer days before the hearing is scheduled to begin or after such hearing begins, Staff shall make the additional documents available immediately to the Respondent.

(3) Nothing in subparagraph (a)(1) shall limit the discretion of the [REGIONAL ENTITY] to make available any other document or the authority of the Hearing Officer to order the production of any other document.

**(b) Documents That May Be Withheld**

(1) Staff may withhold a document if:

(A) the document is privileged or constitutes attorney work product;

(B) the document is an examination or inspection report, an internal memorandum, or other note or writing prepared by a Staff member that shall not be offered in evidence;

(C) the document would disclose (i) an examination, investigatory or enforcement technique or guideline of the [REGIONAL ENTITY], a federal, state, or foreign regulatory authority, or a self-regulatory organization; (ii) the identity of a source, including a federal, state, or foreign regulatory authority or a self-regulatory organization that furnished information or was furnished information on a confidential basis regarding an investigation, an examination, an enforcement proceeding, or any other type of civil or criminal enforcement action; or (iii) an examination, an investigation, an enforcement proceeding, or any other type of civil or criminal enforcement action under consideration by, or initiated by, the [REGIONAL ENTITY], a federal, state, or foreign regulatory authority, or a self-regulatory organization; or

(D) the Hearing Officer grants leave to withhold a document or category of documents as not relevant to the subject matter of the proceeding, or for other good cause shown.

(2) Nothing in subparagraph (b)(1) authorizes Staff to withhold a document, or a part thereof, that contains material exculpatory evidence.

**(c) Withheld Document List**



The Hearing Officer may require Staff to submit to the Hearing Officer a list of documents withheld pursuant to subparagraphs (b)(1)(A) through (D) or to submit to the Hearing Officer any document withheld. Upon review, the Hearing Officer may order Staff to make the list or any document withheld available to the other Respondents for inspection and copying. A motion to require Staff to produce a list of documents withheld pursuant to paragraph (b) shall be based upon some reason to believe that a document is being withheld in violation of the rules set forth herein.

**(d) Timing of Inspection and Copying**

Except as set forth in this Paragraph, the Hearing Officer shall determine the schedule of production of documents pursuant to this Rule provided that the Hearing Officer may modify any time period for production set forth in this Paragraph as warranted by the circumstances.

**(e) Place and Time of Inspection and Copying**

Documents subject to inspection and copying pursuant to this Paragraph shall be made available to the Respondent for inspection and copying at the [REGIONAL ENTITY] office where the documents are ordinarily maintained, or at such other office as the Hearing Officer, in his or her discretion, shall designate, or as the Parties otherwise agree. A Respondent shall be given access to the documents at the [REGIONAL ENTITY]'s offices during normal business hours. A Respondent shall not be given custody of the documents or be permitted to remove the documents from the [REGIONAL ENTITY]'s offices.

**(f) Copying Costs**

A Respondent may obtain a photocopy of all documents made available for inspection. A Respondent shall be responsible for the cost of photocopying. Unless otherwise ordered, charges for copies made at the request of a Respondent shall be at a rate to be established by the [REGIONAL ENTITY].

**(g) Failure to Make Documents Available — Harmless Error**

In the event that a document required to be made available to a Respondent pursuant to this Paragraph is not made available by Staff], no rehearing or amended decision of a proceeding already heard or decided shall be required unless Respondent establishes that the failure to make the document available was not harmless error. The Hearing Officer, or, upon review, the [HEARING BODY] shall determine whether the failure to make the document available was not harmless error.

**1.5.8 Pre-Evidentiary Hearing Submission of Testimony and Evidence**

Unless the Hearing Officer orders otherwise and with the exception of any adverse Party examination pursuant to Paragraph 1.6.16, all witness testimony in a hearing must be prepared in written form, may have exhibits, schedules and attachments thereto, and will be filed in advance

of the evidentiary hearing pursuant to a schedule determined by the Hearing Officer, as it may be amended. This requirement does not preclude a Party from using a document or other demonstrative evidence if grounds exist for such use in the conduct of proper cross-examination even if the Party did not file the document in advance of the evidentiary hearing.

Compliance Staff shall file the documents it intends to offer into evidence as its direct case, including the written testimony of its witnesses along with exhibits, schedules and attachments thereto, first. The Registered Entity shall file the documents it intends to offer into evidence as its direct case, which also may be responsive to Staff's direct case, including the written testimony of its witnesses along with exhibits, schedules and attachments thereto, second. Staff shall file as its rebuttal case the documents it intends to offer into evidence in response to the Registered Entity's direct case, including the written testimony of its witnesses along with exhibits, schedules and attachments thereto, third.

If appropriate due to the number and/or complexity of the issues, the Hearing Officer may allow for the Registered Entity to submit a rebuttal case that responds to Staff's rebuttal case, in which event the Hearing Officer shall also allow Staff to submit a surrebuttal case that responds to the Registered Entity's rebuttal case.

Each round of evidence shall be limited in scope to the preceding round of evidence to which it is responsive, except that the Registered Entity's direct case may exceed the scope of Staff's direct case if necessary for the Registered Entity to set forth its direct case fully.

The Parties shall file the documents they intend to offer into evidence in accordance with the Hearing Officer's schedule, as it may be amended. Such filings of testimony and other evidence in advance of the evidentiary hearing shall not entitle the documents for admission into the evidentiary record. The Parties must offer their witnesses' testimony and other proposed evidence for admission into the evidentiary record during the evidentiary hearing.

Any Party who fails, without good cause shown, to comply with the Hearing Officer's schedule for the filing of written testimony and other evidence in advance of the evidentiary hearing may be limited in the presentation of its evidence during the evidentiary hearing or have its participation in the evidentiary hearing otherwise restricted to avoid undue prejudice and delay.

### **1.5.9 Protective Orders**

- a) At any time during a proceeding, on the Hearing Officer's own motion or on the motion of any Party, an order may be entered to designate as proprietary and protect the confidential, proprietary or trade secret nature of any data, information or studies, or any other information the public release of which may cause a security risk or harm to a Party.
- b) The following types of information will be considered entitled to protection: (i) confidential business and market information, including information that is proprietary, commercially valuable, or competitively sensitive; (ii) critical energy infrastructure information, for which *NERC Security Guidelines for the Electricity Sector - Protecting Potentially Sensitive Information* may be used as a guide; (iii) information related to a

- Cybersecurity Incident; (iv) personnel information that identifies or could be used to identify a specific individual, or that reveals personnel, financial, medical or other personal information; (v) audit work papers; or (vi) investigative files.
- c) A Party submitting a motion for a protective order shall specify the proposed expiration date for the proprietary status of the data, information or studies, if any, and shall propose requirements or safeguards to be met for individuals participating in the proceeding to review the protected information.
  - d) A document submitted and marked as proprietary, or a statement made at a hearing and identified as proprietary, shall be afforded proprietary treatment pending the timely submission of a motion to protect the confidential, proprietary or trade secret nature of that document or statement and a ruling on such a motion by the Hearing Officer.
  - e) The protective order shall identify the data, information or studies that will be accorded proprietary treatment; the individuals participating in the proceeding, by category or otherwise, entitled to view the proprietary information; and the requirements, conditions or safeguards that must be met before an individual may view the information.
  - f) A public redacted version of each document and transcript that contains information that is protected pursuant to this Paragraph must be filed with the proprietary version and must be served on each Party for distribution to those individuals participating in the proceeding who are not entitled to view the proprietary information.
  - g) Should it be necessary to address proprietary information during a hearing, the Hearing Officer shall close the hearing while the information is addressed to all individuals other than those entitled to view the proprietary information in accordance with the protective order.

#### **1.5.10 Pre-Evidentiary Hearing Memorandum**

The Hearing Officer or the [HEARING BODY] may request, as needed on a case by case basis due to the number or complexity of the issue(s), the submission of memorandums prior to the evidentiary hearing that outline each Party's position on the issue(s) in dispute, the key facts and arguments, and the applicable Reliability Standard, rules, orders or other authority. The purpose of such memorandums will be to aid the Hearing Officer and [HEARING BODY] in preparation for the evidentiary hearing. A Party will not be deemed to have waived any issue, fact or argument that is not set forth in a pre-evidentiary hearing memorandum. The Hearing Officer may establish page limitations on such submissions.

### **1.6 Evidentiary Hearing Procedure**

#### **1.6.1 Evidentiary Hearings**

The purpose of the evidentiary hearing shall be to admit the Parties' evidence into the record, and for each Party to have the opportunity to cross-examine the other Party's witnesses. A schedule for briefs, unless waived by the Parties, shall be set at the conclusion of the evidentiary

hearing. The evidentiary hearing also may be used to address any other issue pending between the Parties.

### **1.6.2 Burden of Proof and Order of Receiving Evidence**

The standard of proof in the hearing shall be by a preponderance of the evidence. The burden of persuasion on the merits of the hearing shall rest upon Compliance Staff alleging noncompliance with a Reliability Standard, proposing a Penalty or opposing a Registered Entity's Mitigation Plan. As such, in all proceedings, Compliance Staff shall open and close.

### **1.6.3 Opening and Closing Statements**

Opening and closing statements will not be made during the evidentiary hearing as a matter of course except that such statements may be allowed when requested by a Party, and shall be required when requested by the Hearing Officer or the [HEARING BODY]. Any Party's request for such statements, or Hearing Officer or [HEARING BODY] notice requiring such statements, shall be made at least ten (10) days in advance of the evidentiary hearing.

### **1.6.4 Right of Party to Present Evidence**

A Party has the right to present such evidence, to make such objections and arguments, and to conduct such cross-examination as may be necessary to assure the true and full disclosure of the facts.

### **1.6.5 Exhibits**

All material offered in evidence, unless the Hearing Officer allows oral testimony, shall be offered in the form of an exhibit. Each exhibit must be marked for identification. A Party must provide the court reporter with two (2) copies of every exhibit that the Party offers into evidence, and will provide copies of any exhibit not served in advance of the evidentiary hearing to the Parties and the Hearing Officer.

### **1.6.6 Witness Attendance at Evidentiary Hearing**

Each witness shall attend the evidentiary hearing in person unless a Party has been informed in advance of the evidentiary hearing that all other Parties waive cross-examination of the witness and neither the Hearing Officer nor the members of the [HEARING BODY] have any questions for the witness, in which event the witness does need not be present at the evidentiary hearing. If a witness is not required to attend the evidentiary hearing, then the Party on whose behalf the witness prepared testimony shall file an affidavit of the witness attesting to the veracity of the witness' testimony and the Party shall be allowed to introduce the witness' testimony, and the exhibits, schedules and attachments thereto, into the evidentiary record based on such affidavit.

### **1.6.7 Admission of Evidence**

Compliance Staff shall offer its exhibits into evidence first and the Registered Entity second, unless the Parties agree otherwise. All testimony is to be under oath or affirmation.

Except for witnesses who are not required to attend the evidentiary hearing, the Parties shall call each witness in turn. Following the witness' swearing in, the witness shall attest to the veracity of his or her written testimony. The witness may identify any language and/or figures in his or her written testimony that the witness would like to change or correct. Subject to objection, such changes or corrections may be allowed at the Hearing Officer's discretion for the purpose of obtaining a full, accurate and complete record without imposing undue delay or prejudice on any Party.

Once a witness has attested to the veracity of his or her testimony, the Party on whose behalf the witness is testifying shall move for admission of the witness' testimony, including all exhibits, schedules and attachments thereto, into evidence. Other Parties may object to the introduction of the witness' testimony, or any part thereof, as set forth in Paragraph 1.6.11. Subject to the Hearing Officer's ruling on the objection, the witness' testimony shall be admitted into evidence. The witness shall then be turned over for cross-examination by other Parties, and for any questions by the Hearing Officer or any member of the [HEARING BODY], in accordance with Paragraph 1.6.14, and then for redirect examination in accordance with Paragraph 1.6.15. Witnesses shall be cross-examined on all previously-served testimony (direct, rebuttal or surebuttal) when they first take the witness stand.

Except in exceptional cases and upon a showing of good cause, no witness shall be allowed to testify during the evidentiary hearing unless a Party has served the witness' written testimony in advance of the evidentiary hearing. Due to the undue prejudice such surprise witness testimony would impose on other Parties, it is [REGIONAL ENTITY]'s policy to discourage witness testimony at an evidentiary hearing when a Party has not served the witness' written testimony in advance of the evidentiary hearing. If such testimony is allowed, sufficient procedural steps shall be taken to provide the other Parties with a fair opportunity for response and cross-examination.

#### **1.6.8 Evidence that is Part of a Book, Paper or Document**

When relevant and material matter offered in evidence is embraced in a book, paper or document containing other matter not material or relevant, the Party offering the same must plainly designate the matter offered as evidence, and segregate and exclude the material not offered to the extent practicable. If the material not offered is in such volume as would unnecessarily encumber the record, such book, papers or document will not be received in evidence but may be marked for identification and, if properly authenticated, the relevant or material matter may be read into the record, or, if the Hearing Officer so directs, a copy of such matter in proper form shall be offered as an Exhibit. All other Parties shall be afforded an opportunity to examine the book, paper or document and to offer in evidence in like manner other portions thereof if found to be material and relevant.

#### **1.6.9 Stipulation**

The Parties may stipulate to any relevant fact or the authenticity of any relevant document. Stipulations may be made in writing or entered orally in the record. Notwithstanding stipulation, the Hearing Officer may require evidence of the facts stipulated when the public interest requires.

### **1.6.10 Official Notice**

The Hearing Officer may take official notice of any of the following:

- 1) Rules, regulations, administrative rulings and orders, written policies of governmental bodies, and rulings and orders of regional reliability entities other than [REGIONAL ENTITY].
- 2) The orders, transcripts, exhibits, pleadings or any other matter contained in the record of other docketed [REGIONAL ENTITY] proceedings.
- 3) State and Federal statutes and municipal and local ordinances.
- 4) The decisions of State and Federal courts.
- 5) Generally recognized scientific or technical facts within the specialized knowledge of the [REGIONAL ENTITY].
- 6) All other matters of which the courts of the United States may take judicial notice.

An accurate copy of any item officially noticed shall be introduced into the record in the form of an exhibit unless waived by the Parties and approved by the Hearing Officer. Any scientific or technical fact, or other information not in document form, of which notice is taken shall be set forth in a statement on the record. The Hearing Officer will afford any Party making a timely request an opportunity to show the contrary to the matter officially noticed.

### **1.6.11 Admissibility of Evidence**

Any evidence offered, including that included in a book, paper or document pursuant to Paragraph 1.6.8, shall be subject to appropriate and timely objections. Any Party objecting to the admission or exclusion of evidence must state the grounds for objection.

Generally recognized rules of evidence shall not apply. Rather, the Hearing Officer will exercise discretion in the admission of evidence based upon arguments advanced by the Parties, and evidence is admissible if it is of a type commonly relied upon by reasonably prudent persons in the conduct of their affairs. However, the Hearing Officer may only exclude material from the record in response to a motion or objection by a party.

Formal exception to a ruling on admissibility of evidence need not be taken to be preserved.

### **1.6.12 Offer of Proof**

Any Party who has had evidence excluded may make an offer of proof on the record. The offer of proof may consist of a statement made on the record of the substance of the evidence that the Party claims would have been adduced, or any written or documentary exhibit that the Party sought to introduce. Any such exhibit shall be retained as part of the record.

### **1.6.13 Reservation of Evidentiary Ruling**

The Hearing Officer shall rule upon any objection to the admissibility of evidence at the time the objection is made; provided that the Hearing Officer has discretion to reserve such a ruling or to require the Parties to file written arguments in relation thereto. If the Hearing Officer reserves the ruling, appropriate steps shall be taken during the evidentiary hearing to ensure a full, complete and accurate record in relation to the objected to evidence in the event the objection to the evidence's admissibility is overruled.

#### **1.6.14 Cross-Examination**

Each witness shall be tendered for cross-examination subsequent to the admission of the witness' testimony into the evidentiary record. A Party may waive cross-examination of any witness. The Hearing Officer and any member of the [HEARING BODY] shall be entitled to ask the witness questions following the conclusion of the witness' cross-examination, and prior to the witness' redirect examination pursuant to Paragraph 1.6.15. If a member of the [HEARING BODY] seeks to ask a witness questions, the member shall do so by submitting the question in written form to the Hearing Officer, and the Hearing Officer shall ask the question of the witness.

#### **1.6.15 Redirect Examination**

A Party shall be entitled to conduct redirect examination of each of the Party's witnesses who are subject to cross-examination or questions of the Hearing Officer or a member of the [HEARING BODY]. Any redirect examination shall be limited in scope to the witness' cross-examination and questions of the Hearing Officer and members of the [HEARING BODY].

#### **1.6.16 Examination of Adverse Party**

Any Party may call any adverse Party, or any employee or agent thereof, during the evidentiary hearing to provide oral testimony on the Party's behalf, and may conduct such oral examination as though the witness were under cross-examination. If a Party intends to do so, it shall give notice to the Hearing Officer and all other Parties setting forth the grounds for such examination at least fourteen (14) days in advance of the evidentiary hearing, and the Party who, or whose employee or agent, is sought to be called shall file any objection at least seven (7) days in advance of the evidentiary hearing.

#### **1.6.17 Close of the Evidentiary Record**

The Hearing Officer shall designate the time at which the evidentiary record will be closed, which will typically be at the conclusion of the evidentiary hearing. Evidence may not be added to the evidentiary record after it is closed, provided that the Hearing Officer may reopen the evidentiary record for good cause shown by any Party.

### **1.7 Post- Evidentiary Hearing Procedure**

#### **1.7.1 Briefs**

- a) At the close of the evidentiary hearing, Parties may file initial and reply briefs.

- b) Briefs shall be concise, and, if in excess of twenty (20) pages, excluding appendices, shall contain a table of contents. Statements of fact should be supported by record citations.
- c) The Hearing Officer will prescribe the time for filing briefs, giving due regard to the nature of the proceeding, the extent of the record, and the number and complexity of the issues.
- d) Unless the Hearing Officer prescribes otherwise, all parties shall file initial and reply briefs simultaneously.
- e) Parties' reply briefs shall be limited in scope to responding to arguments and issues raised in other Parties' initial briefs.
- f) The Hearing Officer may, with the agreement of the Parties, allow oral closing statements to be made on the record in lieu of briefs.
- g) The Hearing Officer may establish reasonable page limitations applicable to briefs.

### **1.7.2 Other Pleadings**

Post-hearing pleadings other than briefs are permitted, but, absent good cause shown, such pleadings may not seek to introduce additional evidence into the record.

### **1.7.3 Draft Opinions**

The Hearing Officer may permit or require Parties to file draft opinions that set forth the Parties' proposed findings of fact and conclusions of law.

### **1.7.4 Hearing Officer's Initial Opinion**

Except as otherwise ordered by the [HEARING BODY], at the conclusion of the evidentiary hearing, and following the submission of initial and reply briefs and draft orders, if any, the Hearing Officer shall prepare an initial opinion for the [HEARING BODY]'s review and consideration. The initial opinion shall include a statement of each finding and conclusion, and the reasons or basis therefore, for all material issues of fact, law or discretion presented on the record. The initial opinion also shall contain the appropriate orders to dispose of the proceeding, including any Penalty or Mitigation Plan that the Hearing Officer proposes the [HEARING BODY] require. If the initial opinion proposes a Penalty, the initial opinion shall include a proposed Notice of Penalty. The initial opinion shall note if the subject of the proceeding has been deemed to involve a Cybersecurity Incident or if any information in the proceeding was deemed to be Critical Energy Infrastructure Information protected pursuant to Paragraph 1.5.9.

### **1.7.5 Exceptions**

- a) Within twenty-one (21) days after service of the initial opinion, or such other time as is fixed by the Hearing Officer, any Party may file exceptions to the initial opinion in a brief designated "Brief on Exceptions" and, within fourteen (14) days after the time for



filing "Briefs on Exceptions" or such other time as is set by the Hearing Officer, any Party may file as a reply, "Brief in Reply to Exceptions."

- b) Exceptions and replies thereto with respect to statements, findings of fact or rulings of law must be specific and must be stated and numbered separately in the brief. With regard to each, the Party must specify each error of fact or law asserted, and include a concise discussion of any policy considerations applicable and any other arguments in support of the Party's position. Suggested replacement language for all statements to which exception is taken must be provided. Exceptions and arguments may be filed:
  - 1) together in one brief; or
  - 2) in two separate documents, one designated as the brief containing arguments, and the other designed "Exceptions," containing the suggested replacement language.
- c) Arguments in briefs on exceptions and replies thereto shall be concise and, if in excess of 30 pages, shall contain a table of contents.
- d) Parties shall not raise arguments in their briefs in reply to exceptions that are not responsive to any argument raised in any other Party's brief on exceptions.
- e) Statements of fact should be supported by citation to the record.
- f) The Hearing Officer may establish reasonable page limitations applicable to arguments included in briefs on exception and briefs in reply to exceptions.
- g) Unless good cause is shown, if a Party does not file a brief on exceptions, or if a Party filed a brief on exceptions that does not object to a part of the initial opinion, the Party shall be deemed to have waived any objection to the initial opinion in its entirety, or to the part of the initial opinion to which the Party did not object, whichever applies.

#### **1.7.6 Oral Argument**

The [HEARING BODY] may elect to hear oral argument. If oral argument is held without initial briefs, Parties will be given the opportunity to present argument on all issues. If oral argument is held in addition to initial briefs, argument may be limited to issues identified by the the [HEARING BODY]. The [HEARING BODY] will direct the Clerk to issue a notice of oral argument that identifies the date, time, place and issues for the argument.

The presentation of written materials or visual aids is permitted at oral argument. To the extent such materials or aids contain factual information, they shall be supported by the record, and shall contain accurate record citations. Such materials or aids may not contain new calculations or quantitative analyses not presented in the record, unless they are based on underlying data contained in the record. Copies of all written materials or visual aids to be presented at oral argument shall be served on all Parties not less than 48 hours prior to the time and date of oral argument.

#### **1.7.7 Additional Hearings**

After the evidentiary record has been closed but before issuance of an initial opinion, the Hearing Officer may reopen the evidentiary record and hold additional hearings. Such action may be taken on the Hearing Officer's or the [HEARING BODY]'s own motion if there is reason to believe that reopening is warranted by any changes in conditions of fact or law, or by the public interest. Any Party may file a motion to reopen the record, which shall contain the reasons for reopening, including material changes of fact or of law, and a brief statement of proposed additional evidence and an explanation why such evidence was not previously adduced.

### **1.7.8 [HEARING BODY] Final Order**

Following the receipt of the initial opinion, any exceptions and replies thereto, and oral argument, if any, the [HEARING BODY] shall issue its Final Order. The [HEARING BODY] shall strive, but shall not be required, to issue its Final Order within thirty (30) days following the last to occur of the initial opinion, exceptions or replies thereto, or oral argument. The Final Order may adopt, modify, amend or reject the initial opinion in its entirety or in part. The Final Order shall include a statement of each finding and conclusion, and the reasons or basis therefore, for all material issues of fact, law or discretion presented on the record. The Final Order also shall contain the appropriate orders to dispose of the proceeding, including any Penalty, sanction, remedial action or Mitigation Plan required. If the initial opinion imposes a Penalty, it shall be entitled Final Order and Notice of Penalty. The Final Order shall note if the subject of the proceeding has been deemed to involve a Cybersecurity Incident or if any information in the proceeding was deemed to be critical energy infrastructure information protected pursuant to Paragraph 1.5.9. When the [HEARING BODY] serves the Final Order, it will inform the Parties of their appeal rights.

### **1.7.9 The Record**

The Clerk shall maintain the record for all dockets. The record shall include any of the following, including all attachments thereto and documents filed therewith, that exist in any docket:

- 1) Notice of Alleged Violation and Registered Entity's Response thereto;
- 2) Registered Entity's Proposed Mitigation Plan and Staff's statement identifying its disagreement(s) therewith;
- 3) Registered Entity's request for a hearing;
- 4) Party filings, motions, and responses;
- 5) Notices, rulings, orders and other issuances of the Hearing Officer and [HEARING BODY];
- 6) Transcripts;
- 7) Evidence received;
- 8) Matters officially noticed;

- 9) Offers of proof, objections and rulings thereon, and any written or documentary evidence excluded from the evidentiary record;
- 10) Briefs, pre-evidentiary hearing memorandums, and draft opinions;
- 11) Post-hearing pleadings other than briefs;
- 12) The Hearing Officer's initial opinion;
- 13) Exceptions to the Hearing Officer's initial opinion, and any replies thereto;
- 14) The [HEARING BODY]'s Final Order and any Notice of Penalty therewith;
- 15) All Notices of Ex Parte Communications; and
- 16) Any notifications of recusal and motions for disqualification of a member of the [HEARING BODY] or Hearing Officer of Technical Advisor and any responses or replies thereto.

#### **1.7.10 Appeal**

A Final Order of the [HEARING BODY] may be appealed to NERC in accordance with NERC's Rules of Procedure, Section 410. The Clerk shall transmit the record of any docket to NERC that is the subject of an appealed Final Order.

#### **1.8 Settlement**

Settlements may be entered into at any time pursuant to [REGIONAL ENTITY]'s settlement procedures.

#### **1.9 Remedial Action Directives**

##### **1.9.1 Initiation of Remedial Action Directive Hearing**

Staff] may issue a Remedial Action Directive to a Registered Entity at any time, including during any proceeding related to an alleged violation of a Reliability Standard. [REGIONAL ENTITY] will notify NERC within two (2) days after its Staff issues a Remedial Action Directive.

The Registered Entity may contest the Remedial Action Directive by filing a written notice with the Clerk of the [REGIONAL ENTITY] that states that the Registered Entity contests the Remedial Action Directive and that the Registered Entity requests a Remedial Action Directive hearing. The Registered Entity shall attach a copy of the Remedial Action Directive to its written notice. The Registered Entity must provide such notice within two (2) days following issuance of the Remedial Action Directive. If the Registered Entity does not give written notice to [REGIONAL ENTITY] within the required time period, the Registered Entity shall be deemed to have waived its right to contest the Remedial Action Directive.

The Clerk shall assign a docket number, and issue a Notice of Hearing that sets forth the date, time and place at which the hearing will convene pursuant to Paragraph 1.8.2(a).

### **1.9.2 Remedial Action Directive Hearing Procedure**

Hearings to address Remedial Action Directives shall be conducted only under the expedited hearing process set forth in this Paragraph 1.9.2. The full hearing procedures described in Sections 1.4 to 1.7 are applicable to the Remedial Action Directive hearing unless a rule's context is inconsistent with or otherwise renders it inapplicable to the procedures set forth in this Paragraph.

The Remedial Action Directive hearing may be presided over by a Hearing Officer and will be conducted according to the following guidelines:

- a) The Hearing Officer or the [HEARING BODY] will hold a prehearing conference within two (2) days after receipt of the Registered Entity's request for a hearing.
- b) An evidentiary hearing will be conducted on the matter, in person or by teleconference, within seven (7) days after the prehearing conference.
- c) At the evidentiary hearing, Staff shall present oral witness testimony and evidence to show why the Remedial Action Directive should be complied with, and the Registered Entity shall present oral witness testimony and evidence to show why the Remedial Action Directive is not necessary or should be modified. All witness testimony shall be rendered under oath.
- d) At the evidentiary hearing, the Parties shall have the opportunity to make opening statements. In addition, the Parties shall have the opportunity to make closing arguments, and Staff shall have the opportunity to make a rebuttal to the Registered Entity's closing argument.
- e) The Parties shall not file any briefs or draft opinions, and oral argument shall not be held.
- f) The [HEARING BODY] shall issue a summary written decision within ten (10) days following the hearing, stating whether the Registered Entity shall or shall not be required to comply with the Remedial Action Directive and identifying any modifications to the Remedial Action Directive that it finds appropriate.
- g) Within thirty (30) days following issuance of its summary written decision, the [HEARING BODY] shall issue a full written decision. The written decision shall state the conclusions of the [HEARING BODY] with respect to the Remedial Action Directive, and shall explain the reasons for the [HEARING BODY]'s conclusions.

### **Appendix 3 – Regional Settlement Procedures**

#### **2.0 Settlement Procedures**

##### **2.1 Procedure Governed**

The provisions set forth in this Paragraph 2.0 shall apply to and govern a settlement between SPP Staff and a Respondent for an alleged violation of a Reliability Standard and any associated Penalty, Mitigation Plan and/or Remedial Action Directive, both prior and subsequent to any proceeding initiated pursuant to SPP 'S Hearing Procedures as set forth in Paragraph 1.0. If another Party has been allowed to intervene in a proceeding initiated pursuant to SPP's Hearing Procedures, then the provisions set forth in this Paragraph 2.0 also shall apply to and govern that Party in any such settlement.

##### **2.2 Definitions and Interpretation**

- a) "Applicable Governmental Authority" means a governmental body other than the U.S. Federal Energy Regulatory Commission ("FERC") with authority to enforce Reliability Standards against a Registered Entity.
- b) "Settling Parties" shall mean those Parties that have executed a Settlement Agreement and shall, at a minimum, include Staff and the Respondent.
- c) Unless otherwise defined herein, the capitalized terms utilized herein shall have the meanings set forth in SPP's Hearing Procedures.
- d) Unless the context otherwise requires, the singular of a term used herein shall include the plural and the plural of a term shall include the singular.
- e) To the extent that the context of a rule is inconsistent with its caption, the text of the rule shall control.

##### **2.3 Timing**

Settlement discussions may take place at any time, including prior to the issuance of a Notice of Alleged Violation or during an appeal at the ERO, until a Notice of Confirmed Violation, Notice of Penalty, Notice of Mitigation Plan or Remedial Action Directive, whichever is applicable, is filed with FERC or other Applicable Governmental Authority.

##### **2.4 Participation**

- a) The ERO shall be given notice of and may participate in any settlement discussions.
  - i) If Staff and the Respondent choose to engage in settlement discussions prior to the Respondent requesting a hearing pursuant to SPP's Hearing Procedures, SPP shall issue a Notice of Settlement Discussions to the ERO.

- ii) If Staff and the Respondent choose to engage in settlement discussions subsequent to the Respondent requesting a hearing pursuant to the SPP's Hearing Procedures, Staff and the Respondent shall inform the Hearing Officer or the Trustees, as applicable, which shall instruct the Clerk to issue the Notice of Settlement Discussions to the ERO unless SPP already issued the notice pursuant to Subparagraph (a)(i).
- b) Any other Party to a proceeding conducted pursuant to SPP's Hearing Procedures may, but is not required to, be included in settlement discussions between Staff and the Respondent.
- c) The members of the Trustees, the Hearing Officer or any Technical Advisor may not participate in the settlement discussions.
- d) Any Staff member who participates in the settlement discussions may not serve as a Technical Advisor in any proceeding conducted pursuant to SPP's Hearing Procedures to address the subject of the settlement discussions or any matter that is reasonably related thereto.

## **2.5 Authority to Negotiate Settlements**

For all settlement negotiations, the Respondent and any other Party who participates in the settlement discussions must designate an individual(s) authorized to negotiate and enter into a Settlement Agreement on its behalf. **SPP has designated [Enter Title] to have the authority to negotiate and enter into a Settlement Agreement on behalf of Staff, subject to the approval conditions described in this Paragraph 2.0.**

## **2.6 Motion to Suspend Procedural Schedule**

If the Respondent has requested a hearing pursuant to SPP's Hearing Procedures, any Party engaging in settlement discussions may file a motion to suspend the procedural schedule established in the proceeding. The Hearing Officer or the Trustees, as applicable, may exercise discretion to grant such a motion if suspension of the procedural schedule may be beneficial to achieving a settlement. If such a motion is granted, then the Hearing Officer or the Trustees, as applicable, shall monitor the progress of the settlement discussions and shall resume the proceeding if, at any time, the Parties are no longer making progress toward settlement. In order to for the Hearing Officer or the Trustees to monitor the progress of the settlement discussions, the Parties engaged in the discussions shall report their progress to the Hearing Officer or the Trustees, as applicable, every thirty (30) days at a minimum.

Except for the procedural schedule in a proceeding instituted pursuant to SPP's Hearing Procedures, no otherwise applicable due date or schedule may be suspended by a motion made pursuant to this Paragraph.

## **2.7 Form of Settlement Agreement**

Any Settlement Agreement shall be made in writing, shall set forth the settlement terms in their entirety and shall comply with all of the ERO's requirements for a Settlement Agreement.

## **2.8 Explanatory Statement**

The Settling Parties shall support the Settlement Agreement with an Explanatory Statement. The Explanatory Statement shall set forth all of the facts that support the terms of the Settlement Agreement. In addition, the Explanatory Statement shall include an explanation for how the settlement ensures that the reliability of the bulk power system will not be compromised and that a violation of Reliability Standards will not occur as a result of the settlement. The Explanatory Statement either shall include citations to the record, if a proceeding has been initiated pursuant to SPP's Hearing Procedures, or shall be supported by affidavit.

Along with the Explanatory Statement, the Settling Parties shall submit copies of any document or other material relevant to the Settlement Agreement unless the document or other material has been filed within the record of the proceeding, in which event a citation to the relevant document or other material shall be provided.

## **2.9 Submission of Settlement Agreement**

The Settling Parties shall submit the Settlement Agreement for approval by SPP, and shall submit the Explanatory Statement along with, and in support of, the Settlement Agreement.

a) Prior to Respondent requesting a Hearing

If the Settling Parties execute the Settlement Agreement prior to the Respondent requesting a hearing pursuant to SPP's Hearing Procedures, then the SPP's authority to review and approve a Settlement Agreement is lies with the RE Trustees. The Settling Parties shall submit the Settlement Agreement to the RE Trustees for approval. The RE Trustees shall notify the Parties in writing of its decision on the Settlement Agreement.

b) Subsequent to Respondent requesting a Hearing

If the Settling Parties execute the Settlement Agreement subsequent to the Respondent requesting a hearing pursuant to SPP's Hearing Procedures, including subsequent to the Trustees issuance of a Final Order, then the Settling Parties shall file the Settlement Agreement in the proceeding and the Trustees shall ruled on the Settlement Agreement in accordance with SPP's Hearing Procedures.

i) Any Party who is not a Settling Party shall have the opportunity to submit a comment on the Settlement Agreement, which comment may contest or object to the Settlement Agreement in whole or in part, and the Settling Parties shall have the opportunity to respond to any such comments. Unless otherwise directed by the Hearing Officer or the Trustees, a Party who is not a Settling Party may file a comment on the Settlement Agreement no later than twenty (20) days after the Settling Parties file the Settlement Agreement and supporting Explanatory Statement, and the Settling Parties may file response(s) thereto no later than thirty (30) days after the Settling Parties file the Settlement Agreement and supporting Explanatory Statement.

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- ii) Any failure of a Party who is not a Settling Party to file a comment on a Settlement Agreement constitutes a waiver by that Party of all objections to the Settlement Agreement.
- iii) Any comment that contests a Settlement Agreement by alleging a dispute as to a genuine issue of material fact must detail the alleged genuine issue of material fact and include citations to the record or, if based upon material not of record, shall be supported by affidavit and relevant documents shall be filed therewith. Reply comments may include responding affidavits and supporting documents.
- iv) The Hearing Officer, if applicable, shall issue an Initial Opinion on the Settlement Agreement; and, in accordance with SPP's Hearing Procedures, the Parties shall have an opportunity to file exceptions to the Initial Opinion on the Settlement Agreement and replies thereto. The Trustees shall issue a Final Order on the Settlement Agreement.

### **2.10 Approval of the Settlement Agreement**

#### a) Uncontested Settlement

A Settlement Agreement attained between all of the Parties to a proceeding, or to which no Party objects, shall be approved if fair and reasonable, and in the public interest. To satisfy this standard, a Settlement Agreement must ensure that the reliability of the bulk power system will not be compromised by the settlement, and that a violation of Reliability Standards will not occur as a result of the settlement.

The Settlement Agreement may be approved, approved subject to condition, rejected in whole or in part, or modified as necessary to satisfy this standard for approval.

#### b) Contested Settlement

A Settlement Agreement to which a Party objects shall be approved as set forth in Subparagraph (a) except that it shall be subject to the resolution of all contested issues on the merits. If the evidentiary record contains substantial evidence upon which to base a reasoned decision of the contested issues or if there are no genuine issues of material fact, then the Hearing Officer, if applicable, may issue an Initial Opinion and the Trustees may issue a Final Order on the contested issues based on the existing evidentiary record. If not, the Hearing Officer or the Trustees, as applicable, will establish a procedural schedule for taking additional evidence and argument on the contested issues.

#### c) Partial Settlement

To the extent that a Settlement Agreement does not resolve all of the issues, the issues that remain in contention between the Parties shall be subject to resolution on the merits. If the Respondent has requested a hearing pursuant to SPP's Hearing Procedures, then the Hearing Officer, if applicable, or the Trustees may sever the proceeding between the issues resolved by the Settlement Agreement and the issues that remain in contention between the Parties, review the Settlement Agreement for approval in accordance with Subparagraph (a) and Paragraph 2.9,



and continue to address the issues remaining in contention in accordance with SPP's Hearing Procedures, Paragraph 1.0.

### **2.11 Preservation of Regional Entity Authority**

The approval of a Settlement Agreement does not affect the SPP's authority to require that the Respondent undertake any additional measures not set forth in the Settlement Agreement to protect system reliability, or the SPP's authority to protect system reliability or to otherwise require compliance with Reliability Standards.

### **2.12 Review of Approved Settlement Agreement**

In the event SPP approves a Settlement Agreement in whole or in part, then such approval shall be subject to review by the ERO and, if approved by the ERO, then either by FERC or another Applicable Governmental Authority.

To effectuate such a review:

- i) If the Respondent has not requested a hearing pursuant to SPP's Hearing Procedures, then the RE Trustees shall transfer to the ERO a copy of the Settlement Agreement, the Explanatory Statement and the RE Trustees written decision on the Settlement Agreement. In addition, the RE Trustees will issue a letter to the ERO that sets forth the final settlement terms, including all Penalties and Mitigation Plan requirements set forth in the Settlement Agreement.
- ii) If the Respondent has requested a hearing pursuant to SPP's Hearing Procedures, then the Clerk shall serve the ERO with a copy of the record of the proceeding in accordance with Paragraph 1.2.4(c) of SPP's Hearing Procedures. In addition, the Trustees will issue a letter to the ERO that sets forth the final settlement terms, including all Penalties and Mitigation Plan requirements set forth in the Settlement Agreement, which letter shall be included in the record and served by the Clerk on the ERO.

### **2.13 Reservation of Rights**

If the RE Trustees, ERO, or FERC approves the Settlement Agreement with modification or subject to condition, each Settling Party shall have the right to reject the settlement within ten (10) business days of the issuance approving the Settlement Agreement with modification or subject to condition.

### **2.14 Rejected Settlement Agreement**

In the event the RE Trustees, ERO, FERC or Applicable Governmental Authority rejects a Settlement Agreement in whole or a Settling Party rejects a modified or conditioned Settlement Agreement pursuant to Paragraph 2.13, the Parties' rights in the absence of the Settlement Agreement shall not be affected. The Settling Parties may attempt to negotiate a revised Settlement Agreement or, if NERC has rejected the Settlement Agreement, the Settling Parties shall attempt to negotiate a revised Settlement Agreement that includes any changes to the

settlement specified by NERC. If a new settlement is reached, it shall be addressed in accordance with these Settlement Procedures set forth in this Paragraph 2.0. If a new settlement is not reached and the Respondent has requested a hearing pursuant to SPP's Hearing Procedures, then the proceeding shall continue.

In either event, the Settling Parties shall not be prejudiced by having entered into the rejected Settlement Agreement. Steps to prevent any such prejudice shall be taken, including that the rejected Settlement Agreement may not be introduced into evidence, and neither the rejected Settlement Agreement nor the fact that the Settling Parties entered into the rejected Settlement Agreement may be relied upon in any proceeding being conducted pursuant to SPP's Hearing Procedures to address the issues that were the subject to the Settlement Agreement.

### **2.15 Confidentiality**

- a) Settlement Discussions. All settlement discussions shall be confidential, and all statements made during the discussions shall be given confidential treatment and not released beyond the Parties participating in the settlement discussions. As such, statements made during settlement discussions shall not be subject to discovery or admissible in evidence in any adversarial proceeding; provided that, (i) any statement that constitutes an admission of a Party may be used in an adversarial proceeding against such Party, and (ii) a Party may not protect otherwise discoverable and admissible information from disclosure by revealing it during settlement negotiations, such that a statement of fact made during settlement discussions may be used in an adversarial proceeding if the statement is substantiated outside of the settlement process.
- b) Settlement Agreement and Explanatory Statement. No Settlement Agreement or Explanatory Statement shall be given confidential treatment unless entitled to confidential or proprietary treatment, in whole or in part, pursuant to Paragraph 1.5.9 of SPP's Hearing Procedures.

### **2.16 Public Release**

In accordance with Paragraph 1.2.13 of SPP's Hearing Procedures, SPP will not release publicly any Settlement Agreement or supporting Explanatory Statement unless the ERO or FERC determines that public release is appropriate and directs SPP to make such release.

## **SPP Standards of Conduct**

These Standards of Conduct apply to the Southwest Power Pool, Inc. (SPP) Regional Entity Trustees. The use of the term "third party" here means any entity other than SPP and any representative, agent, or Director of that third party that is or may be a Transmission Customer as defined in the SPP Transmission Tariff ("Tariff"), or that is involved in wholesale and retail sales. "Regional Entity Trustee" or "Regional Entity Trustees" as used here means current members of the Regional Entity Trustees of SPP.

### **1. No Involvement in Marketing**

1.1 No Regional Entity Trustee shall have any involvement in the sale of electric energy at wholesale or retail.

### **2. Confidentiality of Information**

2.1 Regional Entity Trustees shall treat all information supplied by an entity seeking transmission service under the Tariff or supplied in connection with SPP coordination center operations as confidential unless the information is required to be put on the SPP OASIS. In that case the only form of disclosure by SPP shall be through the SPP OASIS.

2.2 No Regional Entity Trustee shall disclose to any third party information received from another party under the Tariff unless that information is required to be put on the SPP OASIS. In that case the only form of disclosure by SPP shall be through the SPP OASIS.

2.3 Notwithstanding the restrictions in Sections 2.1 and 2.2, Regional Entity Trustees may share Eligible Customer (as defined in the Tariff) information with third parties where required to satisfy NERC Operating Standards and Policies. A NERC Confidentiality Statement must be executed by the third party before any such information is disclosed.

### **3. Disclosure of Transmission System Information**

3.1 Regional Entity Trustees shall not give preferential access to information to any third party.

3.2 Regional Entity Trustees shall be prohibited from providing information to any entity engaged in wholesale or retail sales of electric energy or employee, representative or agent of any such entity regarding the transmission systems covered by the Tariff unless that information is: (i) posted on the OASIS; (ii) otherwise available to the general public without restriction; or (iii) is the type of information disclosed to any third party on a non-preferential basis.

3.3 Any disclosures of transmission system information not in compliance with Sections 3.1 and 3.2 shall be posted immediately on the SPP OASIS.

3.4 Regional Entity Trustees may disclose transmission system information to third parties if required by NERC Operating Standards and Policies. However, Regional Entity Trustees must then request that information be posted immediately on the SPP OASIS.

#### **4. Access to Facilities**

4.1 No employee, agent, or contractor of any entity engaged in wholesale or retail sales of electric energy shall have access to the SPP coordination center except for educational tours. Such access must be approved in advance by the President of SPP. Notification of such tours must be posted on the SPP OASIS. Employees of other entities must be given the right to participate in the tour.

#### **5. Implementation of the SPP Tariff**

5.1 Regional Entity Trustees shall strictly enforce all provisions in the Tariff when the provisions do not provide for the use of discretion.

5.2 Where a Tariff provision allows for the exercise of discretion, Regional Entity Trustees shall exercise that discretion in a fair and impartial manner that treats all customers in a nondiscriminatory manner.

#### **6. Recordkeeping**

6.1 SPP shall maintain records showing the transactions under the Tariff for a period of three (3) years. Those records will be available for Federal Energy Regulatory Commission ("FERC") inspection.

6.2 When a Regional Entity Trustee exercises discretion in implementing the Tariff, SPP shall maintain a log, subject to FERC audit, detailing the circumstances and manner in which this discretion was exercised. The information contained in this log is to be posted on the SPP OASIS.

#### **7. General Rules Governing Regional Entity Trustees**

7.1 No Regional Entity Trustee may be an employee, director, consultant or contractor to any transmission customer or transmission provider under the Tariff.

7.2 No Regional Entity Trustee may own securities issued by any transmission customer or transmission provider under the Tariff except under the following circumstances:

- (a) The Regional Entity Trustee shall dispose of those securities within four (4) months of the commencement of service at SPP;
- (b) The Regional Entity Trustee shall dispose of those securities within four (4) months of the time a new transmission owner is added or a new customer begins taking service under the Tariff;
- (c) If a Regional Entity Trustee receives a gift or inheritance of those securities, he or she must dispose of such securities within four (4) months of the receipt of the gift; or,
- (d) If the securities are a part of a qualified plan, they shall be disposed of at the next distribution opportunity of that qualified plan.

7.3 Regional Entity Trustees shall not put themselves in a position in which their personal interests might conflict with SPP's ability to administer the Tariff or to perform its other obligations on a fair and impartial basis.

7.4 Regional Entity Trustees shall not accept any form of gratuity involving cash.

**8. Implementation**

8.1 SPP will inform and train Regional Entity Trustees with regard to these Standards of Conduct.

8.2 SPP will distribute copies of these Standards of Conduct to each Regional Entity Trustee and require that each Regional Entity Trustee executes the attached Compliance Statement.

8.3 SPP will monitor compliance with these Standards of Conduct. Any Regional Entity Trustee failing to comply with these Standards of Conduct may be subject to disciplinary action, up to and including termination of employment.

=====

**Compliance Statement**

I, \_\_\_\_\_, have read SPP's Standards of Conduct and agree to comply with these standards.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Date)

## **Position Description**

### **REGIONAL ENTITY COUNSEL and STAFF SECRETARY**

**Reports To:** Regional Entity Trustees

#### **Overview**

The Regional Entity (RE) Counsel and Staff Secretary is responsible for providing legal counsel and support to the RE Trustees, and assisting the Chairman and members of the Trustees with general administrative matters, issues resolution, and support in accordance with SPP's Bylaws and established processes. This position is responsible for administering the hearing and settlement process related to findings of violations. As available, this position will provide additional support to the Compliance Enforcement staff. A wide range of skills will be required including oral and written communications, meeting/group facilitation, and considerable attention to details. Stringent deadlines and a significant volume of work characterize this position. The position requires contact and work with employees at various levels of the organization, SPP Registered Entities, stakeholders, and vendors.

#### **Reporting Relationships**

The Regional Entity (RE) Counsel and Staff Secretary reports to the RE Trustees. The employee is expected to work with minimal supervision and assist the Trustees in moving to resolution of its assigned tasks.

#### **Essential Functions**

- Serve as Counsel to the RE Trustees:
  - Develop and administer the SPP Hearing Process, including: docketing system, filings by parties, record keeping
  - Represent SPP Regional Entity in the Hearing Process
  - Represent SPP Regional Entity in Settlement negotiations with Registered Entities
  - Assist Regional Entity Compliance staff in development of sensitive correspondence with Registered Entities
- Serve as Staff Secretary to the RE Trustees:
  - Develop initial draft of agenda for RE Trustees' meetings; finalize with the chairman.
  - Develop/coordinate the background materials for RE Trustees' meetings and distribute in a timely manner.
  - Coordinate all meeting logistics with SPP Meeting and Event Planner
  - Attend each RE Trustees' meeting, serving as Staff Secretary.
  - Provide facilitation to the RE Trustees as needed to ensure achievement of goals/tasks.
  - Develop and distribute minutes of RE Trustees' meetings in a complete and timely manner.
  - Coordinate/provide reports and other information and support to the RE Trustees, including "strawman" proposals for resolution of various issues.
  - Track and ensure follow-up on action items.

- Serve as Secretary to any related Task Forces that may be established.
- Track the schedules and agendas for related Organizational Group meetings, noting any coordination needed, particularly as relates to the Standards Development Process.
- Participate in/lead regulatory filings as appropriate.
- Represent SPP in Regional Entity Working Groups such as Hearing Procedure WG and Settlement WG.
- Assist RE Compliance staff by participating in public forums concerning the Compliance Monitoring and Enforcement Program.
- Regular attendance and punctuality.
- Ability to function with constantly changing and multiple priorities.
- Excellent organizational skills.
- Moderate travel.

The statements contained herein describe the scope of the responsibility and essential functions of this position, but should not be considered to be an all-inclusive listing of work requirements. Individuals may perform other duties as assigned including work in other areas to cover absences or relief to equalize peak work periods or otherwise balance the workload.

### **Requirements**

A Juris Doctorate degree from an accredited law school is required. Licensing by a State Bar as an attorney to be qualified to practice law is required. Knowledge of federal, state and local laws is required; experience with administrative law procedures is preferred. The incumbent must have strong interpersonal and communication skills with the ability to provide in written and oral form. The ability to analyze case law, regulatory decisions, and policy guidelines and provide recommendations to the Regional Entity Trustees is required.

The successful candidate for this position will have:

- The ability to work effectively and tactfully with a wide variety of individuals, often with divergent positions
- The ability to work independently to fulfill the duties described
- Excellent organizational skills, with considerable attention to detail, accuracy, and follow-up
- The ability to work well under stress and within deadlines
- Strong interpersonal skills

# **DRAFT Bylaws for SPP Regional Entity**

August 1, 2006

## **Southwest Power Pool, Inc.**

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

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Issued by: L. Patrick Bourne, Manager  
Transmission and Regulatory Policy

Effective: May 1, 2004

Issued on: August 2, 2004

Filed to comply with order of the Federal Energy Regulatory Commission, Docket Nos. RT04-1-002 and ER04-48-002, issued July 2, 2004, 108 FERC ¶ 61,003.



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**B Y L A W S**  
**of**  
**Southwest Power Pool, Inc.**

**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**

**1.1 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 control of a majority of their generation facilities over to another Member;
- (d) have, through an agency agreement, turned control of a majority of their transmission system over 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.

## **1.2 Articles of Incorporation**

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

## **1.3 Board of Directors**

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

## **1.4 Bylaws**

These bylaws.

## **1.5 Existing Obligations**

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

## **1.6 ERO**

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

## **1.7 Member**

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

## **1.8 Membership**

The collective Members of SPP.

## **1.9 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.

## **1.10 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.

## **1.11 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.

## **1.12 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.

### **1.13 Regional Criteria**

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

### **1.14 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.

### **1.15 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.

### **1.16 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.

## **1.17 SPP**

Southwest Power Pool, Inc.

### **1.18 SPP Regional Entity**

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

## **1.19 Staff**

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

### **1.20 Standards Development Team**

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



### **1.21 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.

### **1.22 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.

### **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.

## **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. Working group representation will be appointed by the Board of Directors, who shall consider the various types and expertise of Members and their geographic locations, to achieve a widespread and 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. 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 Proxy**

If a Member's designated representative is unable to attend an Organizational Group meeting, it may in writing appoint a substitute representative who shall have such rights to participate and vote as the Member specifies.

### **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. Working Group representation will be reviewed for appropriateness 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 and transmission service administration;
- (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, included 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**

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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 membership thereof, but not less than three members; provided, that a lesser number may adjourn the meeting to a later time.

### **3.9 Voting**

Except as provided for in Section 9.5 of these Bylaws, each participant in an Organizational Group shall have one vote. Upon joining, Members shall be assigned to one of two Membership sectors for the sole purpose of voting: Transmission Owning Members, or Transmission Using Members. Markets and Operations Policy Committee and Membership actions are taken in the following process. Each sector votes separately with the result for that sector being a percent of approving votes to the total number of Members voting. Then the 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. A simple majority of participants present or represented by proxy and voting shall be required for all other Organizational Group and task force action.

### **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

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transacted, decisions reached, and actions taken at each meeting of SPP Organizational Groups or task forces by the secretary. Minutes shall be considered published documents upon their approval by the Organizational Group or task force.

### **3.12 Publications and Data Bases**

SPP shall publish and distribute printed reports as necessary to fulfill the SPP mission. SPP shall also develop and maintain electronic databases of relevant technical information as approved by the Board of Directors. The release of information in databases containing member-specific technical data considered proprietary in nature will be governed by the Membership Agreement and related Criteria and administered by the Staff. In the event member specific non-proprietary technical data is being distributed, SPP will provide written notice of the specific data submitted, to whom it is being submitted and the purpose of such submittal to the respective Member at the same time the data is provided to the requesting party. Publications and technical data will be made available at no charge to Members, other regional councils and their members, and federal and state agencies. Other parties requesting SPP publications or technical data will be charged an amount equivalent to production, handling and delivery costs.

### **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 assembly of a non-biased and independent dispute resolution panel to facilitate the resolution of the dispute and to provide meeting coordination and facilities. If SPP is a party to the dispute, its administrative duties shall be turned over to a contracted facilitator mutually selected by the disputing parties. These procedures do not apply to disputes that are covered by the dispute resolution procedures of the SPP OATT [or the SPP Compliance Enforcement Program](#).

#### **3.13.1 Instigation**

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Issued by: L. Patrick Bourne, Manager  
Transmission and Regulatory Policy

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

- (a) 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 Panel**

The President shall immediately provide to each party to the dispute a list of candidates to be used in forming a three-person dispute resolution panel. This list shall be maintained by SPP and can be added to at any time by any Member. This list shall contain at least seven persons meeting the requirements for directors. The President shall then call a telephone conference meeting. During this meeting, 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 automatically 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 completion within one week from receipt of the request.

### **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. 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 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**

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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**

Monitoring of Members and Staff shall be performed to ensure compliance with all requirements of Membership. Certain SPP compliance monitoring 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 performed by appropriate SPP staff.

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 Compliance 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 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 through an independent contractor possessing the requisite experience and qualifications. 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 Member or group of Members shall not have undue influence or impact.

The market monitoring entity shall be selected by and report to the Board of Directors. Any reports submitted shall be concurrently provided to the Board of Directors and the appropriate regulatory body or bodies. 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 but are not limited to:

- (a) Monitoring and reporting on compliance and market power issues relating to transmission services, including compliance and market power issues involving congestion management and ancillary services and the potential of any market participant(s) to exercise market power within the region by affecting available transmission capacity;
- (b) Evaluation and recommendation of any required modifications to the OATT, standards or Criteria
- (c) Ensuring that the monitoring program is conducted in an independent and objective manner;

- (d) Development of reporting procedures to inform governmental agencies and others concerning market monitoring activities;
- (e) Monitoring the behavior of market participants to determine whether there is any behavior that hinders the reliable, efficient and non-discriminatory provision of transmission service by SPP;
- (f) Ensuring that SPP's involvement in markets does not discriminate in favor of any market participant or its own interests; and
- (g) Developing plans for mitigating market power, subject to appropriate regulatory approval.

## 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 major contracts and debt instruments;
- (e) Select and review the performance of Officers, who shall serve at the pleasure of the Board of Directors;
- (f) Determine positions, duties, qualifications, salaries, benefits and other necessary matters pertaining to the SPP Staff;
- (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 recommended by the MOPC to 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;
- (n) Approve amendments to the Membership Agreement;
- (o) Approve Regional Criteria pertaining to planning and operating standards and policies and penalties for non-compliance with such Regional 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 indirectly own securities through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or any segments thereof) under which the director does not control the purchase or sale of such

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securities. 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. Initial staggering of terms will be decided by lottery with two directors' terms to expire in the first year, two in the second year, and two in the third year. The election process shall be as follows:

- (a) At least three months 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 one month prior to the meeting of Members, the Corporate Governance Committee shall notify the President in writing of the persons it nominates for election as directors, specifying the nominee for any vacancy to be filled. The President shall prepare the ballot accordingly, leaving space for additional names, and shall deliver same to Members at least two weeks 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) At the meeting of Members, any additional nominee or nominees may be added to the ballot if a motion is made and seconded by Members; and
- (e) At the meeting of Members, the required number of directors shall be elected by written ballot. Each sector of the Membership votes separately with the result for that sector being a percent of approving votes to the total number of Members voting. Each Member shall be entitled to cast a number of votes equal to the number of directors to be elected. A Member may not cumulate votes. The candidates receiving the highest percent of the average of approving vote ratios within each Membership sector will fill vacancies.



#### **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 the vote of a majority of each Membership sector 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 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 to the Board of Directors for consideration and election an interim director to serve until a replacement director 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 director shall take office immediately following the 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 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 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 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 Human Resources 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 recommended by the MOPC to 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 18 persons. Four representatives shall be investor owned utilities Members; four 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; one representative shall be a state/federal power agencies Member; two representatives shall be alternative power/public interest Members; 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

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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. Initial staggering of terms will be decided by lottery. The election process shall be as follows:

- (a) At least three months 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 one month prior to the meeting of Members, the Corporate Governance Committee shall notify the President in writing of the persons it nominates for election as representatives, specifying the nominee for any vacancy to be filled. The President 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) At the meeting of Members, 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**

Each SPP Member shall appoint a representative to the Markets and Operations Policy Committee (MOPC) at the regular meeting of the Board of Directors immediately following each annual meeting of Members. 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.

The responsibilities of the Markets and Operations Policy Committee shall include:

- (a) Recommend practices for system design, planning, adequacy, regional transmission service tariff, interconnections, operation, reliability, market designs and efficiency, and market power mitigation that will help to assure efficient and reliable power supply among the systems in SPP and SPP transmission customers;
- (b) Coordinate and review ERO Policies and Standards and their applicability to SPP, its Members, and Registered Entities in the SPP footprint;
- (c) Recommend any Regional Reliability Standards for ERO adoption in accordance with SPP's Standards Development Process.
- (d) Coordinate and oversee the work of any Standards Development Team(s).
- (e) Make appropriate recommendations to the Board of Directors and Regional Entity Trustees regarding SPP's compliance with ERO Policies and Standards;
- (f) Review Member operating plans and problems that are pertinent to SPP planning and operation;
- (g) Maintain an annual series of load flow and short circuit models and associated stability data bases representing the current and planned electric network of the region, and maintain a data base of all transmission, generation, and supporting facilities within SPP;
- (h) Review and assess the current and planned electric system of the region;
- (i) Make use of studies available from other regions;
- (j) Recommend to the Board of Directors criteria for planning, operations, and to assist in the efficiency and vitality of the wholesale electricity market;
- (k) Coordinate inter-regional and intra-regional plans and facilitate planning, information exchange, and operations between inter-regional and intra-regional groups;

- (l) Develop a coordinated plan for intra-regional transmission for greater efficiency and reliability of electric power supply;
- (m) Recommend to the Board of Directors and Members individual or joint action to improve the operation of the systems comprising SPP;
- (n) Respond to activities as requested by the Strategic Planning Committee and the Board of Directors;
- (o) Monitor the current state and evolution of the electric energy supply industry and proactively recommend commercial practices that meet industry needs and promote commerce;
- (p) Work with all SPP Organizational Groups to promote a high standard of operational reliability;
- (q) Continue coordination of its efforts with the efforts of North American Energy Standards Board (NAESB) and the ISO/RTO Council (IRC), including periodic review of NAESB business practices and IRC policies and their applicability to SPP and its Members;
- (r) Complete a self-assessment annually to determine how effectively the MOPC is meeting its responsibilities; and
- (s) Perform such other functions as the Board of Directors may delegate or direct.

## **6.2 Strategic Planning Committee**

The Strategic Planning Committee (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 at the regular meeting of the Board of Directors immediately following each annual meeting of Members. 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.

The responsibilities of the Strategic Planning Committee shall include:

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



### 6.3 Human Resources Committee

The Human Resources Committee (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 at the regular meeting of the Board of Directors immediately following each annual meeting of Members. 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.

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

- (a) The development and administration of employee benefit programs;
- (b) The effectiveness of SPP's compensation plan for employees and directors;
- (c) The activities of investment managers charged with managing employee benefit assets, including evaluation of performance;
- (d) Approve and monitor SPP staffing structure to ensure it accomplishes organizational mission;
- (e) Maintain current job description for the President and conduct annual performance evaluation;
- (f) Other duties and responsibilities detailed in the Human Resources Committee charter; and
- (g) Perform such other functions as the Board of Directors may delegate or direct.

#### **6.4 Oversight Committee**

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

The Board of Directors shall appoint the representatives of the OC at the regular meeting of the Board of Directors immediately following each annual meeting of Members. Each representative of the OC shall continue to be a representative thereof until the Board of Directors appoints his/her successor. Where a vacancy occurs, the Board of Directors will fill the vacancy.

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

The responsibilities of the Oversight Committee shall include:

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

#### **6.5 Finance Committee**

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

Committee; and two representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee.

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

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

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

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

## **6.6 Corporate Governance Committee**

To the extent that the membership allows, the Corporate Governance Committee (CGC) shall be comprised of nine members. One representative shall be the President of SPP who will

serve as the Chair; 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.

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.

The responsibilities of the Corporate Governance Committee shall include:

- (a) Seek input from the Board of Directors, the Members Committee, or the Trustees as to the skills needed to fill any vacancy under consideration;
- (b) In the event of a vacancy or the replacement of an existing director, provide candidates identified by an independent executive search firm for consideration to the Members for election to the Board of Directors;
- (c) In the event of a vacancy or the replacement of an existing Trustee, provide candidates for consideration to the Members for election to the Regional Entity Trustees;
- (d) Monitor the composition of the Board of Directors to ensure balance, independence, maintenance of qualifications under any applicable laws, avoidance of conflict of interest, and periodic review of the criteria for independence set out in the Bylaws and appropriate regulatory bodies, recommending changes, as appropriate;
- (e) Recommend to the Board of Directors the appointment of Organizational Group representatives and leadership except for the Corporate Governance Committee,

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the Members Committee, whose representatives are elected by the Members, and the Market and Operations Policy Committee, whose representatives are appointed by the Members;

- (f) Develop criteria governing the overall composition of the Board of Directors for recommendation to the Board of Directors;
- (g) Develop criteria governing the overall composition of the Regional Entity Trustees for recommendation to the Membership;
- (h) Coordinate an annual review and assessment of the effectiveness of the Board of Directors, its structure, and process;
- (i) Coordinate an annual review and assessment of the effectiveness of the Regional Entity Trustees, its structure, and process;
- (j) Develop recommendations for the Board of Directors regarding a director succession policy;
- (k) Complete a self-assessment annually to determine how effectively the CGC is meeting its responsibilities; and
- (l) Perform such other functions as the Board of Directors may delegate or direct.

## **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. 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 unbudgeted expenditures of up to \$250,000 individually or in the aggregate during the fiscal year. The President may approve unbudgeted expenditures in excess of \$250,000 but less than \$1,000,000 with the concurrence of the Finance Committee. Unbudgeted expenditures in excess of \$1,000,000 require prior approval of 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. 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 define 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.

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## **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 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 loans, loan agreements, borrowings, promissory notes, bonds, and credit lines, under which SPP is obligated, including principal and interest;
  - ii. all payment obligations under equipment leases, financing leases, capital leases, real estate and office space leases, consulting contracts, and contracts for outsourced services;

- iii. any unfunded liabilities of any SPP employee pension funds, whether or not liquidated or demanded; and
  - iv. the general and administrative overhead of SPP for a period of three (3) months.
- d. Any costs, expenses or liabilities incurred by SPP directly due to the Termination, regardless of when incurred or payable, and including without limitation prepayment premiums or penalties arising under SPP Financial Obligations.
  - e. Member's share (computed in accordance with the Bylaws) of all interest that will become due for payment with respect to all interest bearing Financial Obligations after the Termination Date and until the maturity of all Financial Obligations in accordance with their respective terms ("Future Interest"). In the event that a Financial Obligation carries a variable interest rate, the interest rate in effect at the Termination Date shall be used to calculate the applicable Future Interest. In determining the Member's share of Future Interest, SPP shall take into account any reduction of Financial Obligations due to mitigation under this Section.

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

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

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

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

N = Total number of Members

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

C = Total of factor B for all Members

The Finance Committee shall have the discretion to reduce the Existing Obligations of any withdrawing or terminated Member, to reflect any SPP costs or expenses that may be mitigated in connection with such Member's withdrawal or termination.

## **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 associated travel expenses of these representatives upon receipt by the Chair of 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 compliance enforcement staff shall report through the Director of Compliance to the Trustees.

### **9.3 Director of Compliance**

The Director of Compliance shall be elected by and report to the SPP Regional Entity Trustees. The President shall ensure that the Director of Compliance 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 Compliance Staff**

Compliance functions 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 non-compliance with ERO policies and standards;
- (c) Performance of in-depth reviews of operations in conjunction with the Compliance Enforcement Program;
- (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 Enforcement Program**

The Regional Entity Trustees will oversee SPP's Compliance Enforcement Program (CEP). The CEP will enforce compliance according to ERO reliability standards for Registered Entities. Regional Entity Compliance 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 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 any appropriate entity, the Regional Entity Trustees shall abide by the principles in these Bylaws.

Its duties shall include, but are not limited to the following:

- (a) Monitor all Registered Entities in the SPP footprint for compliance with ERO/FERC requirements, including auditing and issuance of official findings.
- (b) Administer SPP's Compliance Enforcement Program.
- (c) Coordinate and manage third party audits to confirm that SPP is conforming to ERO policies and standards;
- (d) Impose penalties as prescribed and approved by ERO/FERC.
- (e) Regional Entity staff administration.
- (f) Regional Entity budget decisions.
- (g) Track and review Regional Standards from MOPC for submission to the ERO and FERC for approval and implementation.
- (h) Complete a self-assessment annually to determine how effectively the Regional Entity Trustees are meeting their responsibilities; and
- (i) 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 indirectly own securities through a mutual fund or similar arrangement (other than a fund or

arrangement specifically targeted toward the electric industry or any segments thereof) under which the trustee does not control the purchase or sale of such securities. 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. Initial staggering of terms will be decided by lottery with one trustee's term to expire in the first year, one in the second year, and one in the third year. The election process shall be as follows:

- (a) At least three months 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 one month prior to the meeting of Members, the Corporate Governance Committee shall notify the President in writing of the person it nominates for election as a trustee, specifying the nominee for any vacancy to be filled. The President 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 or removing trustees only, Members with Affiliate Relationships shall be considered a single Member;
- (d) At the meeting of Members, any additional nominee(s) may be added to the ballot if a motion is made and seconded by Members; and
- (e) At the meeting of Members, the required number of trustees shall be elected by written ballot. Each sector of the Membership votes separately with the result for that sector being a percent of approving votes to the total number of Members voting. Each Member shall be entitled to cast a number of votes equal to the number of trustees to be elected. A Member may not cumulate votes. The candidate(s) receiving the highest percent of the average of approving vote ratios within each Membership sector will fill vacancy(ies).

#### **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 by the vote of a majority of each Membership sector 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 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 appoint an interim trustee to serve until a replacement trustee 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 trustee shall take office immediately following the election.

#### **9.7.6 Meetings and Notice of Meetings**

The Regional Entity Trustees will meet coincident in time and location as the regularly scheduled SPP Board of Directors meetings, 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 Human Resources Committee, and 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 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, 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. 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 all previous 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, the Board of Directors, or the Regional Entity Trustees under these Bylaws are hereby assumed and confirmed as obligations of SPP under these Bylaws.

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FERC DIRECTIVE/COMMENTS	CURRENT BYLAWS REFERENCE	COMMENT
<p>SPP Board has the authority to “define” costs associated with the SPP Regional Entity. Must ensure that the independence of the SPP Regional Entity Trustees are not compromised directly, or indirectly, by the SPP Board...we also invite SPP to consider the use of NERC to perform some or all of the functions.</p>	<p>“SPP will clearly define the costs associated with its operation as a Regional Entity within SPP’s annual budget.” <u>SPP Bylaws § 8.3</u></p>	
<p>The Corporate Governance Committee (a committee that reports directly to the SPP Board) has authority to nominate SPP Regional Entity Trustees and to develop criteria regarding the overall composition of the SPP Regional Entity Trustees. Regional Entity Trustees are not compromised directly, or indirectly, by the SPP Board...we also invite SPP to consider the use of NERC to perform some or all of the functions.</p>	<p>“The responsibilities of the Corporate Governance Committee shall include:</p> <p>In the event of a vacancy or the replacement of an existing Trustee, provide candidates for consideration to the Members for election to the Regional Entity Trustees;</p> <p>Develop criteria governing the overall composition of the Regional Entity Trustees for recommendation to the Membership;</p> <p>Coordinate an annual review and assessment of the effectiveness of the Regional Entity Trustees, its structure, and process;” <u>SPP Bylaws § 6.6.</u></p>	
<p>The Human Resources Committee (also controlled by the SPP Board) has the authority to recommend compensation for the SPP Regional Entity Trustees. Regional Entity Trustees are not compromised directly, or indirectly, by the SPP Board...we also invite SPP to consider the use of NERC to perform some or all of the functions.</p>	<p>“Regional Entity Trustees shall receive compensation as recommended by the Human Resources Committee, and 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.” <u>SPP Bylaws § 9.7.9</u></p>	

FERC DIRECTIVE/COMMENTS	CURRENT BYLAWS REFERENCE	COMMENT
<p>SPP represents that the SPP Regional Entity governance structure satisfies the requirements of Governance Criterion 4, <i>i.e.</i>, that the SPP Regional Entity will have established rules that assure balance in its decision-making committees and subordinate organizational structures and assure no two industry sectors can control any action and no one industry sector can veto any action. However, it is unclear whether SPP's quorum and voting requirements will allow for this balance.</p> <p>Area of concern:</p> <p>1) Proposed bylaws provide that a quorum for a meeting of the Markets and Operations Policy Committee or the Members Committee will be those Members present.</p> <p>2) Only two voting sectors are established: the Transmission Owning Members sector and the Transmission Using Members sector.</p>	<p>“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 membership thereof, but not less than three members; provided that a lesser number may adjourn the meeting to a later time.” <u>SPP Bylaws § 3.8</u></p> <p>“Except as provided for in Section 9.5 of these Bylaws, each participant in an Organizational Group shall have one vote. Upon joining, Members shall be assigned to one of two Membership sectors for the sole purpose of voting: Transmission Owning Members, or Transmission Using Members.” <u>SPP Bylaw § 3.9</u></p>	<p>Not a requirement for a substantive change at this time as FERC says it will monitor this in the future to ensure compliance with potential for a further directive.</p>
<p>SPP's proposal to assess all Members a \$6,000 annual fee...appears to exceed the “nominal membership fees” limit. SPP may propose an appropriate fee in its annual budget filing.</p>	<p>“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. 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.” <u>SPP Bylaws § 8.2</u></p>	

FERC DIRECTIVE/COMMENTS	CURRENT BYLAWS REFERENCE	COMMENT
<p>According to the proposed Bylaws... the SPP Board and Markets and Operations Policy Committee would control the standards development process, and could prevent a proposed standard from reaching the SPP Regional Entity trustees in the first place. Clarification will be required regarding the respective roles that will be played in the standards development process by the SPP Regional Entity Trustees and the SPP Board. The SPP Regional Entity Trustees must exercise the ultimate control over the standards development process, not the SPP Board or the Markets and Operations Policy Committee.</p>	<p>“Each SPP Member shall appoint a representative to the Markets and Operations Policy Committee (MOPC) at the regular meeting of the Board of Directors immediately following each annual meeting of Members... “The responsibilities of the Markets and Operations Policy Committee shall include:</p> <p>(c) Recommend any Regional Reliability Standards for ERO adoption in accordance with SPP’s Standards Development Process.</p> <p>(d) Coordinate and oversee the work of any Standards Development Team(s).” <u>SPP Bylaws § 6.1</u></p>	
<p>SPP needs to clarify whether registration in a ballot body is required to vote on a reliability standard. While reasonable administration requirements may be imposed by SPP to facilitate the efficient operation of its ballot body, we reiterate here that any interested stakeholder may be represented and must be permitted to vote. SPP must follow a one-entity/one-vote policy. Need to revise the Standards Development Process Manual to be in compliance with this directive.</p>	<p>“Except as provided for in Section 9.5 of these Bylaws, each participant in an Organizational Group shall have one vote.” <u>SPP Bylaws § 3.9</u></p> <p>“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.” <u>SPP Bylaws § 9.5</u></p>	

**DELEGATION AGREEMENT BETWEEN  
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION  
AND [REGIONAL ENTITY]**

DELEGATION AGREEMENT (“Agreement”) made this \_\_\_ day of \_\_\_\_\_ 2006, between the North American Electric Reliability Corporation (“NERC”), an organization certified by the Federal Energy Regulatory Commission (“Commission”) pursuant to Section 215(c) of the Federal Power Act to establish and enforce Reliability Standards for the bulk power system, and the Southwest Power Pool, Inc, (“SPP”), an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to this Agreement, and for other purposes. NERC and [REGIONAL ENTITY] may be individually referred to herein as “Party” or collectively as “Parties.”

**WITNESSETH**

**WHEREAS**, Subtitle A of the Electricity Modernization Act of 2005 added Section 215 to the Federal Power Act (16 U.S.C. § 824n) (hereafter “the Act”) and, among other things, provides for the establishment of an electric reliability organization (“ERO”) to develop and enforce Reliability Standards applicable to all owners, operators, and users of the bulk power system;

**WHEREAS**, the Commission has adopted regulations for the implementation of the Act set forth at Chapter I, Title 18, Code of Federal Regulations, Part 39, as adopted by Commission Order No. 672 in Docket No. RM05-30-000 on February 3, 2006; (114 FERC ¶ 61, 104; hereafter “Order 672”);

**WHEREAS**, the Commission has certified NERC as the ERO that will, in accordance with the Act, establish and enforce Reliability Standards for the bulk power system, subject to certain delegation provisions described below;

**WHEREAS**, the Act recognizes the international interdependency of electric reliability within North America and envisions the ERO and such applicable Regional Entities as international organizations;

**WHEREAS**, the Act and Section 39.8 of the Commission’s regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities such as SPP provided that:

(A) The Regional Entity is governed by —

- (i) an independent board;
- (ii) a balanced stakeholder board; or
- (iii) a combination independent and balanced stakeholder board.

(B) The Regional Entity otherwise satisfies the provisions of Section 215(c)(1) and (2) of the Act; and

(C) The agreement promotes effective and efficient administration of bulk power system reliability;

**WHEREAS**, certain Regional Entities are organized on an Interconnection-wide basis and are therefore entitled to the presumption set forth in the Act that: “[t]he ERO and the Commission shall rebuttably presume that a proposal for delegation to a Regional Entity organized on an Interconnection-wide basis promotes effective and efficient administration of bulk power system reliability and should be approved”;

**WHEREAS**, the Act further provides that the ERO shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Reliability Standard or modification to a Reliability Standard to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest;

**WHEREAS**, SPP [is/is not] organized on an Interconnection-wide basis and therefore [is/is not] entitled to the rebuttable presumptions accorded such an entity;

**WHEREAS**, NERC will work through SPP to carry out certain of its activities in furtherance of its responsibilities as the electric reliability organization under the Act; and

**WHEREAS**, NERC has concluded that SPP meets all requirements of the Act, the Commission's regulations, and the NERC Rules of Procedure as approved by the Commission ("NERC Rules") necessary to qualify for delegation;

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements herein contained, NERC and SPP, agree as follows:

1. **Definitions**. The capitalized terms used in this Agreement shall be defined as set forth in the Act, the Commission's regulations, or the NERC Rules or, if not so defined, shall be defined as follows:

(a) **Breach** means (i) the failure of a Party to perform or observe any material term, condition or covenant of the Agreement or (ii) a representation in Section 2 of the Agreement shall have become materially untrue.

(b) **Cross-Border Regional Entity** means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.

(c) **Delegated Authority** means the authority delegated by NERC to SPP to propose and enforce Reliability Standards pursuant to the Act.

(d) **SPP Rules** means the bylaws, a rule of procedure or other organizational rule or protocol of SPP.

(e) **Reliability Standard** means a requirement approved by the Commission under Section 215 of the Federal Power Act to provide for reliable operation of the bulk power system. The term includes requirements for the operation of existing bulk power system facilities, including cyber security protection, and the design of planned additions or modifications to such facilities to the extent necessary for reliable operation of the bulk power system; but the term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity.

2. **Representations.**

(a) For purposes of its Delegated Authority, SPP hereby represents and warrants to NERC that:

(i) SPP is and shall remain during the term of this Agreement validly existing and in good standing pursuant all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder. SPP is governed in accordance with its bylaws by [*select appropriate*: an independent board/a balanced stakeholder board/ a combination independent and balanced stakeholder board]. Pursuant to these bylaws, no two industry sectors can control any SPP decision and no single industry sector can veto any SPP decision. The relevant portions of such bylaws are attached hereto as **Exhibit B**<sup>1</sup>, and as so attached are in full force and effect. No other such corporate governance documents are binding upon SPP.

(ii) As set forth in **Exhibit C** hereto<sup>2</sup>, SPP has developed a standards development procedure, which provides the process that SPP may use to develop Regional Reliability Standards [and Regional Variances, if the regional entity is organized on an Interconnection-wide basis] that are proposed to NERC for adoption.

(iii) As set forth in **Exhibit D** hereto<sup>3</sup>, SPP has adopted the NERC Compliance Monitoring and Enforcement Program, which provides for the enforcement of Reliability Standards within its geographic boundaries.

(b) NERC hereby represents and warrants to SPP that:

(i) It is and shall remain during the term of this Agreement validly existing and in good standing pursuant all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder; and

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<sup>1</sup> The **Exhibit B** from each Regional Entity shall meet the requirements contained in **Exhibit B** to this pro forma Agreement.

<sup>2</sup> The **Exhibit C** from each Regional Entity shall meet the requirements contained in **Exhibit C** to this pro forma Agreement.

<sup>3</sup> The **Exhibit D** from each Regional Entity shall meet the requirements contained in **Exhibit D** to this pro forma Agreement.



- (ii) It has been certified as the ERO by the Commission pursuant to the Act.

### 3. Covenants.

(a) During the term of this Agreement, SPP shall maintain and preserve its qualifications for delegation pursuant to the Act and shall not amend the SPP Rules without NERC's approval, which shall not be unreasonably withheld or delayed and which shall, in the case of a Regional Entity organized on an Interconnection-wide basis, be governed by the presumptions provided for in Section 215(d)(2) and (e)(4)(C) of the Act, and be subject to any required Commission approval.

(b) During the term of this agreement, NERC shall maintain its qualification and status as the ERO pursuant to the Act and, subject to the provisions of Sections 16 and 17 of this Agreement, NERC shall not adopt amendments to the NERC Rules that conflict with the rights, obligations or programs of SPP under this Agreement without first obtaining the consent of SPP, which consent shall not be unreasonably withheld or delayed.

(c) During the term of this agreement, NERC and SPP shall adhere to and require that all participants in their respective activities under this Agreement follow and comply with the NERC Antitrust Compliance Guidelines.

### 4. Delegation of Authority.

(a) Based upon the representations, warranties and covenants of SPP in Sections 2 and 3 above, the corporate governance documents set forth in **Exhibit B**, the standards development process set forth in **Exhibit C**, and the regional compliance enforcement program set forth in **Exhibit D**, NERC hereby delegates authority, pursuant to Section 215(e)(4) of the Act, to SPP for the purpose of proposing Reliability Standards to NERC, as set forth in Section 5 of this Agreement, and enforcing Reliability Standards, as set forth in Section 6 of this Agreement, within the geographic boundaries set forth on **Exhibit A**. No further redelegation of authority or responsibility, in total or in part, under this Agreement is allowed without NERC's express consent.

(b) For Cross-Border Regional Entities, the authority delegated by this Agreement shall extend only to the portion of the region identified on **Exhibit A** that is within the United States. Any delegation of authority by governmental authorities in Canada or Mexico shall be

governed by a separate agreement and is outside the scope of this Agreement; provided, however, that both SPP and NERC shall endeavor to ensure that this Agreement and such separate agreements are compatible.

(c) As a condition to this delegation of authority and subject to the provisions of section 16 of this Agreement, SPP shall comply with the applicable provisions of NERC's Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to time adopted, approved, or amended.

## 5. **Reliability Standards.**

(a) In connection with its Delegated Authority, SPP shall be entitled to:

(i) propose Reliability Standards, Regional Variances, or modifications thereof to NERC, which shall be considered by NERC through an open and inclusive process for proposing and adopting Reliability Standards that affords SPP reasonable notice and opportunity to be heard; and

(ii) develop Regional Reliability Standards [and Regional Variances, if Regional Entity is organized on an Interconnection-wide basis] through SPP's process as set forth in **Exhibit C**. Proposals approved through SPP's process shall be reviewed by the NERC Board of Trustees after NERC provides notice and an opportunity for interested persons to comment. In the case of a proposal from a Regional Entity organized on an Interconnection-wide basis, comments shall be limited to the factors identified in NERC Rule 313, section 3.1 as it may be amended from time to time. The NERC board of trustees shall promptly thereafter consider such proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in subsection 5(b) if the proposed Regional Reliability Standard or Regional Variance is from a Regional Entity organized on an Interconnection-wide basis, and either approve the proposed standard and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. SPP may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.

(b) Pursuant to Section 215(d)(3) of the Act, NERC shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Regional Reliability Standard or Regional Variance or modification thereof to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential,

and in the public interest. Any person challenging such proposal from the [INTERCONNECTION-WIDE REGIONAL ENTITY] shall have the burden of proof. NERC shall not find that this presumption has been rebutted except based upon substantial evidence that has been disclosed to, and been subject to comment by, the [INTERCONNECTION-WIDE REGIONAL ENTITY] during NERC's review of the proposal.

**6. Enforcement.**

(a) In connection with its delegated authority pursuant to this Agreement, SPP shall enforce Reliability Standards (including Regional Reliability Standards and Regional Variances) within the geographic boundaries set forth in **Exhibit A** through the compliance enforcement program set forth in **Exhibit D**. NERC and SPP agree that this program meets all applicable requirements of the Act, Order 672 and the Commission's regulations, including, *inter alia*, the requirement for an audit program pursuant to Section 39.7(a) of the Commission's regulations, the assessment of penalties pursuant to Section 39.7(c) through 39.7(g) of the Commission's regulations and the requirements for due process. SPP may not change its compliance enforcement program set forth in **Exhibit D** absent NERC's approval, which shall not be unreasonably withheld or delayed. Subject to the rights and limitations of Sections 16 and 17 of this Agreement, SPP agrees to comply with the NERC Rules in implementing this program.

(b) SPP shall report promptly to NERC any self-reported violation or investigation of a violation or an alleged violation of a Reliability Standard and its eventual disposition. Such report shall include the owner's, operator's, or user's name, which Reliability Standard or Reliability Standards were violated or allegedly violated, when the violation or alleged violation occurred, other pertinent facts about the violation including circumstances surrounding the violation with any known risk to the bulk power system, when the violation was or will be mitigated, the name of a person knowledgeable about the violation or alleged violation to serve as a point of contact with the Commission, and any other information required by NERC compliance program procedures. NERC shall promptly forward such report to the Commission. NERC and SPP shall cooperate in filing such periodic summary reports as the Commission shall from time to time direct on violations of Reliability Standards and summary analyses of such violations.

(c) Each violation or alleged violation shall be treated as nonpublic until the matter is filed with the Commission as a notice of penalty or resolved by an admission that the owner, operator, or user of the bulk power system violated a Reliability Standard or by a settlement or other negotiated disposition. The disposition of each violation or alleged violation that relates to a Cybersecurity Incident or that would jeopardize the security of the bulk power system if publicly disclosed shall be nonpublic unless the Commission directs otherwise.

(d) All appeals of penalties imposed by SPP shall be filed with NERC, in accordance with the NERC Rules.

(e) SPP shall maintain the capability to conduct investigations of potential violations of Reliability Standards and to conduct such investigations in a confidential manner.

(f) SPP shall maintain a program of proactive enforcement audits including procedures for spot-checks of self-reported compliance and periodic audits of all responsible entities.

(g) As part of its compliance enforcement program, SPP shall maintain a conflict of interest policy that assures the integrity of such program and the independence of the compliance program staff from those subject to enforcement actions.

(h) As often as NERC deems necessary, but no less than every three years, NERC shall review SPP's compliance enforcement program to ensure that: (i) the program meets all applicable legal requirements; (ii) actual practices reflect the requirements; and (iii) the program administered pursuant to the Delegated Authority promotes consistent interpretations across North America of Reliability Standards and comparable levels of sanctions and penalties to violations of Reliability Standards constituting comparable levels of threat to reliability of the bulk power system.

(i) SPP shall modify its compliance enforcement program as needed to reflect additions to, deletions from, or modifications of Reliability Standards and, subject to the rights and limitations of Sections 16 and 17 of this Agreement, shall modify its compliance enforcement program as needed: (i) to reflect amendments to the NERC Rules; (ii) to comply with NERC directives resulting from the review of compliance enforcement programs as

provided in Section 6(h) of this Agreement; or (iii) to resolve a conflict with a function, rule, order, tariff, rate schedule, or agreement accepted, approved, or ordered by the Commission.

(j) NERC shall conduct a review with the Regional Entities that provides for the exchange of information on practices, experiences, and lessons learned in the implementation of compliance enforcement programs.

**7. Delegation-Related Services.** NERC will engage SPP on its behalf to carry out certain of its activities that are in furtherance of its responsibilities as the ERO under the Act or in support of delegated functions, as specified in the NERC Rules and listed on **Exhibit E**.

**8. Funding.** SPP and NERC shall ensure that the delegated functions and related activities listed on **Exhibit E** have reasonable and adequate funding and resources by undertaking the following:

(a) NERC shall fund SPP activities necessary for SPP to carry out its Delegated Authority under this Agreement, including the functions listed on **Exhibit E**, and shall not impose any obligation or requirement regarding Delegated Authority upon SPP without providing appropriate funding to carry out such mandates;

(b) SPP and NERC agree that costs of carrying out SPP's responsibilities under the Delegation Agreement will be equitably allocated among end users within the geographic boundaries described in **Exhibit A** and recovered through a formula based on net energy for load as set forth in **Exhibit E**;

(c) NERC will ensure that the costs for its responsibilities are first allocated fairly among the interconnections and regions according to the applicability of this work to those interconnections and regions, and then equitably among the end users of the applicable interconnections and regions as appropriate. Allocation on a net energy for load basis will be presumed to satisfy this equity requirement.

(d) NERC shall provide SPP with the form for budget submittal no later than April 30 of the prior year.

(e) SPP shall submit its annual budget for carrying out its Delegated Authority functions and related activities listed on **Exhibit E**, as well as all other SPP activities and funding to NERC no later than June 1 of the prior fiscal year such that NERC may submit its

budget to the Commission 130 days in advance of the beginning of each fiscal year. The SPP budget submission shall include supporting materials, including SPP's complete business plan and organization chart, explaining the proposed collection of all dues, fees and charges, and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures, as well as the budget, supporting materials, and proposed allocation and method of collection for the costs of any approved regional advisory body. NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC fiscal year budget with the actual results at the NERC and Regional Entity level. SPP shall follow NERC's prescribed system of accounts.

(f) SPP's funding system shall include reasonable reserve funding for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.

(g) NERC shall review and approve SPP's budget for meeting its responsibilities under the Delegation Agreement.

(h) SPP shall submit unaudited quarterly interim financial statements in form provided by NERC no later than 20 days after the end of the fiscal quarter (March 31, June 30, September 30, and December 31).

(i) SPP shall submit audited financial statements annually including supporting materials in a form provided by NERC no later than 150 days after the end of the fiscal year.

(j) NERC shall have the right to review from time to time, in reasonable intervals but no less than every three years, the financial records of SPP in order to ensure that the documentation fairly represents in all material respects appropriate funding under this Agreement.

(k) **Exhibit E** to this Agreement sets forth the mechanism through which SPP shall offset penalty monies it receives against its next year's annual budget for carrying out functions under this Agreement.

**9. Assignment.** This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning

Party's sole discretion, subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. SPP may not delegate in whole or in part its Delegated Authority to any other entity; provided, however, that nothing in this provision shall prohibit SPP from contracting with other entities to assist it in carrying out its Delegated Authority, provided SPP retains control and responsibility for such Delegated Authority.

**10. Default and Cure.** Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the "Default Notice"). Subject to a suspension of the following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the Default Notice within which to cure such Breach; provided however, that if such Breach is not capable of cure within thirty (30) calendar days, the breaching Party shall commence such cure within thirty (30) calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the Default Notice; and, if cured within such time, the Breach specified in such notice shall cease to exist. Subject to the limitation specified in the following sentence, if a Breach is not cured as provided in this article, or if a Breach is not capable of being cured within the period provided for herein, the nonbreaching Party shall have the right to declare a default and terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder. The deadlines for cure and the right to declare a default and terminate this Agreement shall be suspended during the pendency of any efforts or proceedings in accordance with Section 17 of this Agreement to resolve a dispute as to whether a Breach has occurred. The provisions of this article will survive termination of this Agreement.

**11. Term and Termination.**

(a) This Agreement shall become effective thirty (30) days after the date of issuance of a final Commission order approving this Agreement without requiring any changes to this Agreement unacceptable to either Party.

(b) The initial term of the Agreement shall be three (3) years, prior to which time NERC shall conduct an audit pursuant to subsections 6(e) and 7(i) to ensure that SPP continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility

for delegation. If SPP meets such requirements, this Agreement may be renewed for another five (5) year term. If this Agreement is not renewed or becomes subject to termination for any reason, the Parties shall work to ensure a transition of SPP's Delegated Authority to NERC or to another eligible entity. The termination of this Agreement shall not take effect until such transition has been effected, unless the transition period exceeds one year, at which time SPP may unilaterally terminate.

(c) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective one year following written notice by either Party to the other Party and to the Commission, or at such other time as may be mutually agreed by SPP and NERC.

(d) Notwithstanding any termination of this Agreement, provisions contained in Limitation of Liability (Section 12), No Third Party Beneficiaries (Section 13) and Confidentiality (Section 14) shall survive this Agreement in accordance with their terms until sixty (60) days following the expiration of any applicable statute of limitations.

**12. Limitation of Liability.** SPP and NERC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review of such action or inaction by the Commission. NERC and SPP shall not be liable to one another for any damages whatsoever, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of the SPP's or NERC's responsibilities under this Agreement or in conducting activities under the



authority of Section 215 of the Act, except to the extent that the SPP or NERC is found liable for gross negligence or intentional misconduct, in which case SPP or NERC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

**13. No Third Party Beneficiaries.** Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

**14. Confidentiality.** During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Rule [nnn] of NERC's Rules of Procedure. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section. In the event a protective order or other remedy is not obtained or that issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This confidentiality provision does not prohibit reporting and disclosure as directed by NERC, as set forth in Section 6 of this Agreement.

**15. Amendment.** Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing, signed by the Parties, and filed with and approved by the Commission.

**16. Amendments to the NERC Rules.** NERC shall not adopt amendments to the NERC Rules that conflict with the rights, obligations, or programs of SPP under this Agreement without first obtaining the consent of SPP, which consent shall not be unreasonably withheld or delayed. To the extent SPP does not consent, NERC shall have the right to invoke the dispute resolution provisions of Section 17 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules. To the extent that the Commission issues an order amending or materially affecting the rights or obligations of SPP under this Agreement, SPP shall have the option, exercisable no later than 60 days after issuance of such order, to terminate this Agreement. Such termination shall be effective one year following written notice by SPP to NERC and the Commission, or at such other time as may be mutually agreed by SPP and NERC.

**17. Dispute Resolution.** In the event a dispute arises under this Agreement between NERC and SPP, representatives of the Parties with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute in a timely manner. In the event the designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the Parties may agree upon, each Party shall have all rights to pursue all remedies, except as expressly limited by the terms of this Agreement. Neither Party shall have the right to pursue other remedies until the Dispute Resolution procedures of this Section 17 have been exhausted. This Section 17 shall not apply to enforcement actions against individual entities.

**18. Notice.** Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to NERC:

If to SPP:

North American Electric  
Reliability Corporation  
116-390 Village Blvd.  
Princeton, NJ 08540-5721  
Attn: David Hilt  
Facsimile: (609) 452-9550

\_\_\_\_\_  
Attn:  
Facsimile:

**19. Governing Law.** When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of New Jersey without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in New Jersey. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in New Jersey for the purpose of hearing and determining any action not heard and determined by the Commission.

**20. Headings.** The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

**21. Savings Clause.** Nothing in this Agreement shall be construed to preempt or limit any authority that SPP may have to adopt reliability requirements or take other actions to ensure reliability of the bulk power system within the geographic boundaries described in **Exhibit A** that are outside the authority delegated from NERC, as long as such reliability requirements and actions are not inconsistent with Reliability Standards applicable to the region described in **Exhibit A** and do not result in a lessening of reliability outside the region described in **Exhibit A**.

**22. Entire Agreement.** This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.



## **Regional Boundaries**

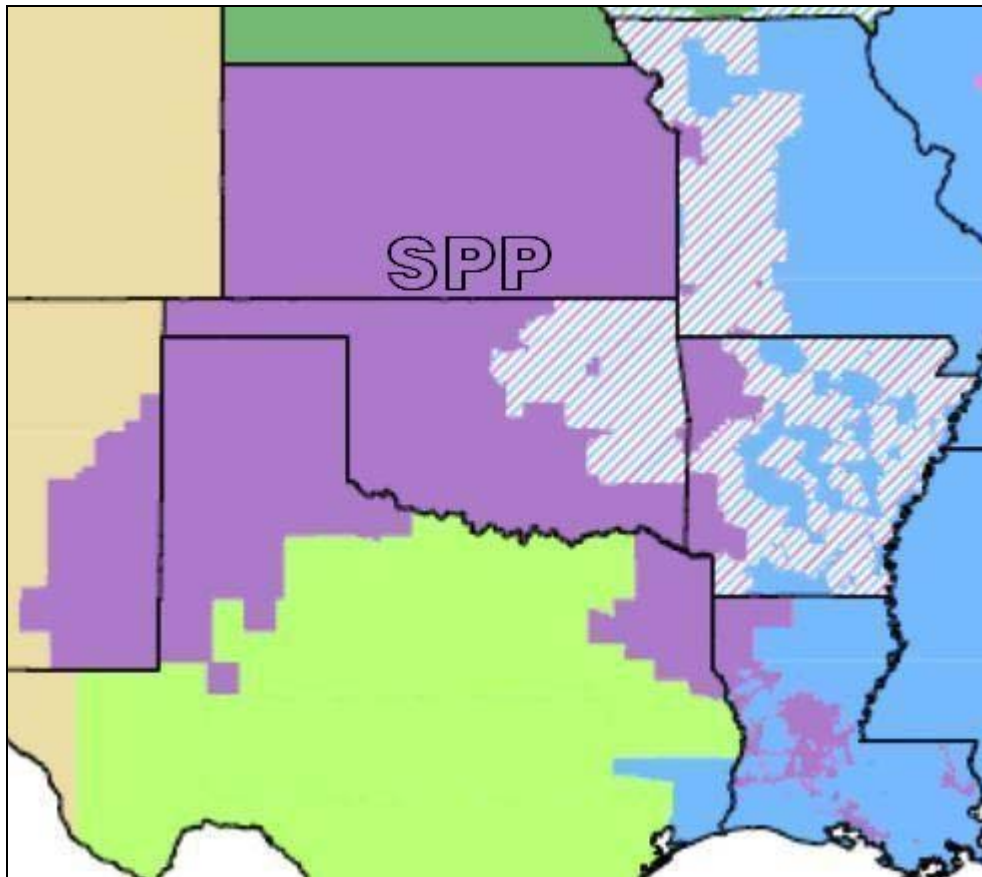
### Exhibit A Regional Boundaries

The geographic boundaries of Southwest Power Pool (SPP) are determined by the service areas of its membership, comprised of investor-owned utilities, municipal, cooperative, state and federal systems, merchant electricity generators and power marketers.

SPP covers an area of approximately 255,000 square miles of service territory (purple region depicted below) in all or part of eight states: Arkansas, Kansas, Louisiana, New Mexico, Mississippi, Missouri, Oklahoma, and Texas.

Service provided by SPP members in areas which overlap with neighboring regions:

- ◆ The area in northeastern Oklahoma is served by Western Farmers Electric Cooperative, Oklahoma Gas & Electric Company, Oklahoma Municipal Power Authority, Grand River Dam Authority, and AEP West.
- ◆ The area in Arkansas is served by Arkansas Electric Cooperative Corporation, Oklahoma Gas & Electric Company, and AEP West.
- ◆ The area in western Missouri is served by Aquila, Empire District Electric Company, City Power & Light (Independence, MO), City Utilities (Springfield, MO), Grand River Dam Authority, Kansas City Power & Light Company, City Power & Light (Independence, MO), and Southwestern Power Administration.



## Exhibit B – Governance

**CRITERION 1: The Regional Entity shall be governed by an independent board, a balanced stakeholder board, or a combination independent and balanced stakeholder board.** (Federal Power Act § 215(e)(4)(A), 18 C.F.R. § 39.8(c)(1), Order No. 672 at ¶ 727.)

A. Southwest Power Pool, Inc. is governed by an independent Board of Directors.

B. Southwest Power Pool, Inc.’s bylaws specify that the Regional Entity will be governed by the Regional Entity Trustees:

“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.” SPP Bylaws § 9.7.2.1.

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

C. Southwest Power Pool, Inc.’s bylaws define “independent” as follows:

“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 indirectly own securities through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or any segments thereof) under which the director does not control the purchase or sale of such securities. 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.” SPP Bylaws § 4.2.3.

“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 indirectly own securities through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted toward the electric industry or any segments thereof) under which the trustee does not control the purchase or sale of such securities. 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.” SPP Bylaws § 9.7.2.3.

**CRITERION 2: The Regional Entity has established rules that assure its independence of the users and owners and operators of the bulk power system, while assuring fair stakeholder representation in the selection of its directors.**

Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 699, 700.)

- A. Southwest Power Pool, Inc., or its affiliate, is an RTO and therefore a user, owner, or operator of bulk power system facilities. Southwest Power Pool, Inc.'s bylaws, rules of procedure, and protocols establish a strong separation between Southwest Power Pool, Inc.'s oversight and operations functions, as follows:

“Monitoring of Members and Staff shall be performed to ensure compliance with all requirements of Membership. Certain SPP compliance monitoring 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 performed by appropriate SPP staff.” SPP Bylaws § 3.16

“The Regional Entity Trustees will oversee SPP’s Compliance Enforcement Program (CEP). The CEP will enforce compliance according to ERO reliability standards for Registered Entities. Regional Entity Compliance 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.” SPP Bylaws § 9.6

“The Regional Entity Trustees shall at all times act in the best interests of SPP’s role as the 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 any appropriate entity, the Regional Entity Trustees shall abide by the principles in these Bylaws.

Its duties shall include, but are not limited to the following:

- (a) Monitor all Registered Entities in the SPP footprint for compliance with ERO/FERC requirements, including auditing and issuance of official findings.
- (b) Administer SPP’s Compliance Enforcement Program.
- (c) Coordinate and manage third party audits to confirm that SPP is conforming to ERO policies and standards;
- (d) Impose penalties as prescribed and approved by ERO/FERC.



- (e) Regional Entity staff administration.
- (f) Regional Entity budget decisions.
- (g) Track and review Regional Standards from MOPC for submission to the ERO and FERC for approval and implementation.
- (h) Complete a self-assessment annually to determine how effectively the Regional Entity Trustees are meeting their responsibilities; and
- (i) Provide an annual report to the Board of Directors regarding the effectiveness of the Regional Entity function and processes.” SPP Bylaws § 9.7.1.

B. Southwest Power Pool, Inc.’s bylaws provide for fair stakeholder representation in the selection of its directors, as follows:

“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. Initial staggering of terms will be decided by lottery with one trustee’s term to expire in the first year, one in the second year, and one in the third year. The election process shall be as follows:

- (a) At least three months 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 one month prior to the meeting of Members, the Corporate Governance Committee shall notify the President in writing of the person it nominates for election as a trustee, specifying the nominee for any vacancy to be filled. The President 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 or removing trustees only, Members with Affiliate Relationships shall be considered a single Member;
- (d) At the meeting of Members, any additional nominee(s) may be added to the ballot if a motion is made and seconded by Members; and
- (e) At the meeting of Members, the required number of trustees shall be elected by written ballot. Each sector of the Membership votes separately with the result for that sector being a percent of approving votes to the total number of Members voting. Each Member shall be entitled to cast a number of votes equal to the number of trustees to be elected. A Member may not cumulate votes. The candidate(s) receiving the highest percent of the average of approving vote ratios within each Membership sector will fill vacancy(ies).” SPP Bylaw § 9.7.3

**CRITERION 3: If the Regional Entity has members, the Regional Entity has established rules that assure that its membership is open, that it charges no more than a nominal membership fee and agrees to waive the fee for good cause shown, and that membership is not a condition for participating in the development of or voting on proposed Regional Reliability Standards.** (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 170-173.)

A. Southwest Power Pool, Inc. has an open membership policy that permits full and fair participation of all stakeholders through their representatives, including in the development and voting on Regional Reliability Standards, as follows:

“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.” SPP Bylaws § 2.1.

“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:

(c) Provide input with the Board of Directors to the Regional Entity Trustees on SPP Regional Reliability Standards recommended by the MOPC to the trustees for submission to the ERO for its approval.” SPP Bylaws § 5.1

“Each SPP Member shall appoint a representative to the Markets and Operations Policy Committee (MOPC) at the regular meeting of the Board of Directors immediately following each annual meeting of Members...

“The responsibilities of the Markets and Operations Policy Committee shall include:

(c) Recommend any Regional Reliability Standards for ERO adoption in accordance with SPP’s Standards Development Process.

(d) Coordinate and oversee the work of any Standards Development Team(s).” SPP Bylaws § 6.1

“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.” SPP Bylaws § 9.5

B. Southwest Power Pool, Inc. charges no more than a nominal membership fee and agrees to waive the fee for good cause shown, as follows:

“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. 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. Legitimate public interest groups may seek waiver of the annual membership fee. The request for waiver must be directed to the President in writing.” SPP Bylaws § 8.2

**CRITERION 4: The Regional Entity has established rules that assure balance in its decision-making committees and subordinate organizational structures and assure no two industry sectors can control any action and no one industry sector can veto any action.** (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶ 728.)

A. Southwest Power Pool, Inc.’s bylaws, procedural rules, and protocols assure balance in decision-making committees and subordinate organizational structures in how such groups are structured, as follows:

“Provided that Membership is sufficient to accommodate these provisions, the Members Committee shall consist of up to 18 persons. Four representatives shall be investor owned utilities Members; four 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; one representative shall be a state/federal power agencies Member; two representatives shall be alternative power/public interest Members; 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.” SPP Bylaws § 5.1.1.1.

“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.” SPP Bylaws § 5.1.1.2.

“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. Working group representation will be appointed by the Board of Directors, who shall consider the various types and expertise of Members and their geographic locations, to achieve a widespread and 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. 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.” SPP Bylaws § 3.1

“If a Member's designated representative is unable to attend an Organizational Group meeting, it may in writing appoint a substitute representative who shall have such rights to participate and vote as the Member specifies.” SPP Bylaws § 3.2.

*“6.1 Markets and Operations Policy Committee*

Each SPP Member shall appoint a representative to the Markets and Operations Policy Committee (MOPC) at the regular meeting of the Board of Directors immediately following each annual meeting of Members. 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.

*“6.2 Strategic Planning Committee*

The Strategic Planning Committee (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 at the regular meeting of the Board of Directors immediately following each annual meeting of Members. 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.

*“6.3 Human Resources Committee*

The Human Resources Committee (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 at the regular meeting of the Board of Directors immediately following each annual meeting of Members. 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.

*“6.4 Oversight Committee*

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

The Board of Directors shall appoint the representatives of the OC at the regular meeting of the Board of Directors immediately following each annual meeting of Members. 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.

*“6.5 Finance Committee*

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

The Board of Directors shall appoint the representatives of the FC at the regular meeting of the Board of Directors immediately following each annual meeting of Members. 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.

*“6.6 Corporate Governance Committee*

To the extent that the membership allows, the Corporate Governance Committee (CGC) shall be comprised of nine members. One representative shall be the President of SPP who will serve as the Chair; 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.

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

B. Southwest Power Pool, Inc.'s bylaws, procedural rules, and protocols assure balance in decision-making committees and subordinate organizational structures in how such groups make decisions, as follows:

“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 membership thereof, but not less than three members; provided, that a lesser number may adjourn the meeting to a later time.” SPP Bylaws § 3.8.

“Except as provided for in Section 9.5 of these Bylaws, each participant in an Organizational Group shall have one vote. Upon joining, Members shall be assigned to one of two Membership sectors for the sole purpose of voting: Transmission Owning Members, or Transmission Using Members. Markets and Operations Policy Committee and Membership actions are taken in the following process. Each sector votes separately with the result for that sector being a percent of approving votes to the total number of Members voting. Then the 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. A simple majority of participants present or represented by proxy and voting shall be required for all other Organizational Group and task force action.” SPP Bylaws § 3.9.

“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.” SPP Bylaws § 3.10.

“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.” SPP Bylaws § 9.5.

C. Southwest Power Pool, Inc.'s bylaws, procedural rules, and protocols assure no two industry sectors can control any action and no one industry sector can veto any action, as follows:

See above.

**CRITERION 5: The Regional Entity has established rules that provide reasonable notice and opportunity for public comment, due process, openness, and balance of interests in exercising its duties.** (Federal Power Act § 215(c)(2)(D) and (e)(4), 18 C.F.R. § 39.8(c)(2).)

Southwest Power Pool, Inc.'s bylaws, procedural rules, and protocols provide reasonable notice and opportunity for public comment, due process, openness, and balance of interests in exercising its duties, as follows:

▪ **NOTICE PERIODS:**

“The Regional Entity Trustees will meet coincident in time and location as the regularly scheduled SPP Board of Directors meetings, and additionally upon the call of the chair or upon concurrence of at least two trustees... 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.” SPP Bylaws § 9.7.6

“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, included 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.” SPP Bylaws § 3.5.

▪ **AVAILABILITY OF AGENDAS AND BACKGROUND INFORMATION:**

See above.

▪ **OPENNESS OF MEETINGS:**

“Except as otherwise provided in these Bylaws, all meetings will be open to any interested party.” SPP Bylaws § 9.7.6

“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.” SPP Bylaws § 9.7.10

“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. Working group representation will be appointed by the Board of Directors, who shall consider the various types and expertise of Members and their geographic locations, to achieve a widespread and 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. 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.” SPP Bylaws § 3.1.

“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, included 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.” SPP Bylaws § 3.5.

▪ OPPORTUNITIES FOR PUBLIC PARTICIPATION:

“The chair shall grant any party’s request to address the Regional Entity Trustees.” SPP Bylaws § 9.7.6.

“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, included 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.” SPP Bylaws § 3.5.



- AVAILABILITY OF MINUTES:

[No Bylaws cite, but corporate process requires minutes be posted on the SPP website within one week of a meeting.]

- AMENDMENT OF BYLAWS AND PROCEDURAL RULES:

“Except for modifications to Section 4.0 BOARD OF DIRECTORS, Section 5.0 COMMITTEES ADVISING THE BOARD OF DIRECTORS, 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, 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. All amendments are subject to the requisite regulatory approval(s).” SPP Bylaws § 10.0.

## Exhibit C – Regional Standard Development Procedure

### COMMON ATTRIBUTE 1

Proposed regional reliability standards shall be subject to approval by NERC, as the electric reliability organization, and by FERC before becoming mandatory and enforceable under Section 215 of the FPA [add reference to any applicable authorities in Canada and Mexico]. No regional reliability standard shall be effective within the [Regional Entity Name] area unless filed by NERC with FERC [and applicable authorities in Canada and Mexico] and approved by FERC [and applicable authorities in Canada and Mexico].

Southwest Power Pool's ("SPP") regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See Southwest Power Pool Regional Entity (SPP RE) Standards Development Process Manual Pg 14, Sec V.C. Filing of Regional Reliability Standards with Regulatory Agencies:*

The development of Standards must be administered in coordination with the NERC Standards Development Procedure. At the discretion of the NERC Board of Trustees, adopted Standards may be filed with applicable regulatory agencies in the United States, Canada, and Mexico.

*The NERC Standards Development Procedure requires proposed reliability standards be approved by FERC before becoming effective and enforceable. Any proposed SPP Regional Entity standard will be required to be submitted to NERC for further action and cannot become effective without FERC approval per the NERC procedure.*

### COMMON ATTRIBUTE 2

[Regional Entity Name] regional reliability standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A [Regional Entity Name] reliability standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. A regional reliability standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*The specific language cited in Common Attribute 2 was provided to NERC in the Commission's July 20 Compliance Order. SPP has revised the SPP RE Standards Development Process Manual in Pg 4, Sec III. A. Definition of a Regional Reliability Standard, paragraph 2 to adopt this new language:*

SPP RE may develop, through the process described in this manual, separate SPP Regional Reliability Standards (Standard) that go beyond, add detail to, or implement NERC reliability standards, or that cover matters not addressed in NERC reliability standards. SPP Regional Reliability Standards may be developed and exist separately from NERC reliability standards, or may be proposed as NERC reliability standards. Standards that exist separately from NERC reliability standards shall not be inconsistent with or less stringent than NERC reliability standards.

*Section III. D. Elements of a Regional Reliability Standard, establishes guidelines to ensure SPP RE Standards are consistent with NERC standards:*

An RE Standard shall consist of the elements identified in this section of this manual. These elements are intended to apply a systematic discipline in the development and revision of Standards. This discipline is necessary to achieve standards that are measurable, enforceable, and consistent.

### **COMMON ATTRIBUTE 3**

[Regional Entity Name] regional reliability standards, when approved by FERC [add applicable authorities in Canada], shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the [Regional Entity Name] area, regardless of membership in the region.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See Southwest Power Pool Regional Entity (SPP RE) Standards Development Process Manual Pg 14, Sec V.C. Filing of Regional Reliability Standards with Regulatory Agencies:*

The development of Standards must be administered in coordination with the NERC Standards Development Procedure. At the discretion of the NERC Board of Trustees, adopted Standards may be filed with applicable regulatory agencies in the United States, Canada, and Mexico.

*The NERC Standards Development Procedure requires proposed reliability standards be approved by FERC before becoming effective and enforceable. Any proposed SPP*

*Regional Entity standard will be required to be submitted to NERC for further action and cannot become effective without FERC approval per the NERC procedure.*

#### **COMMON ATTRIBUTE 4**

**Requester** — The requester is the sponsor of the regional reliability standard request may assist in the development of the standard. Any member of [Regional Entity Name], or group within [Regional Entity Name] shall be allowed to request that a regional reliability standard be developed, modified, or withdrawn. Additionally, any entity (person, organization, company, government agency, individual, etc.) that is directly and materially affected by the reliability of the bulk power system in the [Regional Entity Name] area shall be allowed to request a regional reliability standard be developed, modified, or withdrawn.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*SPP uses the term “originator” in place of “requester”. See SPP RE Standards Development Process Manual Page 8, Sec IV. Roles in the Regional Reliability Standards Development Process, paragraph 2:*

**Originator** - Any person, acting as a representative of an organization which is directly and materially affected by the operation of an RE's BPS, is allowed to request a Standard be developed or an existing Standard be modified, or deleted.

#### **COMMON ATTRIBUTE 5**

**[Standards or other named] committee** — The [Regional Entity Name] [standards] committee manages the standards development process. The [standards] committee will consider which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The [standards] committee will advise the [Regional Entity Name] board on standards presented for adoption.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 8, Sec IV. Roles in the Regional Reliability Standards Development Process, paragraph 4:*

**SPP Markets and Operations Policy Committee (MOPC)** - The SPP Markets and Operations Policy Committee will consider which requests for new or revised Standards shall be assigned for development (or existing Standards considered for deletion). The MOPC manages the Standards development process. The MOPC will advise the SPP Board of Directors and Members Committee on Standards to be presented for adoption by the RE Trustees.

## **COMMON ATTRIBUTE 6**

**[Registered ballot body** — The registered ballot body comprises all entities or individuals that a) qualify for one of the stakeholder segments; are registered with [Regional Entity Name] as potential ballot participants in the voting on standards; and are current with any designated fees. Each member of the registered ballot body is eligible to vote on standards. [Each standard action has its own ballot pool formed of interested members of the registered ballot body. Each ballot pool comprises those members of the registered ballot body that respond to a pre-ballot survey for that particular standard action indicating their desire to participate in such a ballot pool.] The representation model of the registered ballot body is provided in Appendix A.]

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 11, Sec V.B. Regional Reliability Standards Development Process Steps, Step 5. Open Voting:*

All interested parties are eligible to participate in voting on proposed new Standards, Standard revisions or Standard deletions. There is not a requirement to separately join a ballot body to participate in voting. Each interested party shall have one vote. A company or entity that qualifies in more than one segment may designate a different person qualified to represent the company/entity's interests in that segment to vote.

*SPP allows any interested party to join a ballot pool created to vote on a specific proposed standard prior to balloting. This ballot body for the standard is specific to that standard and would be dissolved when final action is taken by the RE Trustees. Since there is not a standing ballot body, the notice of a proposed standard on the SPP public website would serve the purpose of the NERC pre-ballot survey.*

*SPP RE Standards Development Process Manual Page 8, Sec IV. Roles in the Regional Reliability Standards Development Process has been revised to add a definition of the ballot body and its responsibilities in the standards process.*

**Ballot Body** — The Ballot Body comprises all entities or individuals that qualify for one of the voting segments that are registered with SPP as a ballot participant in the voting for a proposed Standard. Membership in SPP is not a requirement for registration. Registration in a ballot body must be done via the SPP website any time during the 15 day ballot period for the standard. Each standard action has its own ballot body. No pre-registration into a ballot pool is required. The representation model of the ballot body is provided in Sec V. B. Regional Reliability Standards Development Process Steps, Step 5 – Open Voting. The outcome of the vote of the Ballot Body is forwarded to the RE Trustees along with the voting results of the MOPC and the SPP Board of Directors/Members Committee.

### **COMMON ATTRIBUTE 7**

[Regional Entity Name] will coordinate with NERC such that the acknowledgement of receipt of a standard request identified in step 1, notice of comment posting period identified in step 4, and notice for vote identified in step 5 below are concurrently posted on both the [Regional Entity Name] and NERC websites.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 10, Sec V.B. Regional Reliability Standards Development Process Steps, Step 2. Notification to Regional Entity Trustees & Public Notice. SPP staff will coordinate with NERC staff to provide this information. SPP's standards process manager is a SPP staff person designated by the MOPC.*

The Chairman of the MOPC or his/her designee will forward the request to the RE Trustees. SPP staff will also post the request on the SPP website for public notice and may utilize any appropriate SPP email distribution lists. The request is not to be judged as appropriate or useful at this stage.

*Sec V.B. Regional Reliability Standards Development Process Steps, Step 4 requires the public notice of comment period:*

***Step 4 – Post Draft for 30 Day Public Comments***

At the direction of the MOPC, the SPP staff will facilitate posting of the draft Standard on the SPP website, along with any supporting documents, for a 30-day comment period. The SPP staff shall also inform RE Members and other potentially interested entities of the posting using typical membership communication procedures then currently in effect, or by other means deemed appropriate. Comments may be submitted using the RSR Comment Form in Appendix B available on the SPP website.

*Sec V.B. Regional Reliability Standards Development Process Steps, Step 5 requires SPP staff to post the draft Standard for vote:*

***Step 5 – Open Voting***

The SDT shall direct the SPP staff to post the revised draft Standard, implementation plan, supporting technical documentation, and summary of comments if necessary.

SPP staff will schedule a vote by interested parties to be scheduled to commence no sooner than 15 days and no later than 30 days following the posting of the revised draft.

Interested parties shall be allowed to vote over a period of 15 days. It is expected that votes will be through electronic means such as email, but may be submitted through other means as available from SPP.

**COMMON ATTRIBUTE 8**

An acceptable standard request shall contain a description of the proposed regional reliability standard subject matter containing sufficiently descriptive detail to clearly define the purpose, scope, impacted parties, and other relevant information of the proposed standard.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 10, Sec V.B. Regional Reliability Standards Development Process Steps, Step 1:*

The MOPC or a designee will work with the Originator to develop a description of the proposed Standard subject matter containing sufficient detail to clearly define the purpose, scope, impacted parties, and other relevant information related to the proposed Standard.

### **COMMON ATTRIBUTE 9**

Within [no greater than 60] days of receipt of a completed standard request, the [standards] committee shall determine the disposition of the standard request.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP's Bylaws Sec 6.1, paragraph 2, requires the MOPC to meet at least three times per calendar year and additionally as needed:*

*SPP RE Standards Development Process Manual Page 13 Step 7- Post Draft Standard for Action on the MOPC Agenda allows the MOPC to act on a standard request in an expedited time frame between scheduled MOPC meetings:*

If a Standard requires action by the MOPC prior to a regularly scheduled meeting, the SPP staff will notify the MOPC Chairman who notice a special meeting in accordance with the SPP Bylaws.

### **COMMON ATTRIBUTE 10**

The [standards] committee may take one of the following actions:

- Accept the standard request as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The [standards] committee may, at its discretion, expand or narrow the scope of the standard request under consideration. The [standards] committee shall prioritize the development of standard in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the standard request. If the [standards] committee rejects a standard request, a written explanation for rejection will be delivered to the requester within [no greater than 30] days of the decision.
- Remand the standard request back to the requester for additional work. The standards process manager will make reasonable efforts to assist the requester in addressing the deficiencies identified by the [standards] committee. The requester may then resubmit the modified standard request using the process above. The requester may choose to withdraw the standard request from further consideration prior to acceptance by the [standards] committee.



SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*A SDT must act through the MOPC to take any action to accept, reject or remand a proposed regional reliability standard including the modification or deletion of an existing RE Standard. See SPP RE Standards Development Process Manual Page 9, Sec V.B. Regional Reliability Standards Development Process Steps, Step 1, and Page 11 Step 3, last 2 paragraphs:*

***Step 1 – Request to Develop, Revise or Delete a Regional Reliability Standard***

Any individual representing an organization (Originator) that is directly or materially impacted by the operation of the BPS within the geographical footprint of the RE may submit a request to the Markets and Operations Policy Committee (MOPC) for the development, modification, or deletion of an RE Standard. Any such request shall be submitted to the MOPC Chairman, or his/her designee, or by another process as otherwise posted on the SPP website. The request will use the SPP Regional Standard Request Form (RSR) in Appendix B.

The MOPC or a designee will work with the Originator to develop a description of the proposed Standard subject matter containing sufficient detail to clearly define the purpose, scope, impacted parties, and other relevant information related to the proposed Standard.

***Step 3 – Scoping and Drafting (last 2 paragraphs)***

The MOPC may, at any time, exercise its authority over the Standards development process by directing the SDT to move to Step 4 and post for comment the current work product, or terminate the activity if there is no further need for the Standard. If there are competing drafts, the MOPC may, at its sole discretion, post the version(s) of the draft Standard for comment on the RE website. The SC may take this step at any time after a SDT has been commissioned to develop the Standard.

For Standards in progress, the MOPC must vote to move to Step 4. *Public Comments*, or to terminate the work. If the MOPC votes to terminate the activity, the RE Trustees must be notified with supporting reasons provided to them. (See Step 11. *RE Trustees Action*)

*SPP has revised Step 3 to include a notice period to the Originator and the RE Trustees not to exceed 30 days if the MOPC terminates work on a proposed regional reliability standard.*

*There is nothing in the SPP RE Standards Process Manual that restricts the originator or another party from submitting a new request for a regional reliability standard based on a revision to a request that has been terminated.*

#### **COMMON ATTRIBUTE 11**

Any standard request that is accepted by the [standards] committee for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the [Regional Entity Name] website within [no greater than 30] days of acceptance by the committee.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 10, Sec V.B. Regional Reliability Standards Development Process Steps, Step 2. SPP has added a requirement for posting for 30 days:*

The Chairman of the MOPC or his/her designee will forward the request to the RE Trustees. SPP staff will also post the request on the SPP website for public notice and may utilize any appropriate SPP email distribution lists. The request is not to be judged as appropriate or useful at this stage.

#### **COMMON ATTRIBUTE 12**

The standards process manager shall submit the proposed members of the drafting team to the [standards] committee. The [standards] committee shall approve the drafting team membership within 60 days of accepting a standard request for development, modifying the recommendations of the standards process manager as the committee deems appropriate, and assign development of the proposed standard to the drafting team.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 10, Sec V.B. Regional Reliability Standards Development Process Steps, Step 2, paragraph 2. The MOPC fulfills the roles of the standards process manager and the standards committee.*

The MOPC will assign the drafting and scoping responsibility to an appropriate SPP Working Group or Task Force. This group will become the acting Standards Drafting Team (SDT) for this particular Standard request. The MOPC will establish any necessary deadlines and due dates for the Standard.

*SPP SDTs are open to any interested party to participate and do not require approval of participants. See SPP RE Standards Development Process Manual Sec. V. A. Assumptions and Prerequisites, paragraph titled “Openness” :*

Meetings of SDT’s are open to all interested parties and are noticed on the SPP website at least 7 days in advance. Since pre-existing SPP committees, working groups, or task forces may be assigned the responsibilities of a SDT, the agenda for meetings will note that an SDT activity is being undertaken to distinguish such activity from other non-SDT related agenda items. The openness provisions of this manual apply explicitly to the SDT activities.

### **COMMON ATTRIBUTE 13**

At the direction from the [standards] committee, the standards process manager shall facilitate the posting of the draft standard on the [Regional Entity Name] website, along with a draft implementation plan and supporting documents, for a no less than a [30]-day comment period. The standards process manager shall provide notice to [Regional Entity Name] stakeholders and other potentially interested entities, both within and outside of the [Regional Entity Name] area, of the posting using communication procedures then currently in effect or by other means as deemed appropriate.

SPP’s regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 11, Sec V.B. Regional Reliability Standards Development Process Steps, Step 4:*

***Step 4 – Post Draft for 30 Day Public Comments***

At the direction of the MOPC, the SPP staff will facilitate posting of the draft Standard on the SPP website, along with any supporting documents, for a 30-day comment period. The SPP staff shall also inform RE Members and other potentially interested entities of the posting using typical membership communication procedures then currently in effect, or by other means deemed appropriate. Comments may be submitted using the RSR Comment Form in Appendix B available on the SPP website.

**COMMON ATTRIBUTE 14**

The drafting team shall prepare a summary of the comments received and the changes made to the proposed standard as a result of these comments. The drafting team shall summarize comments that were rejected by the drafting team and the reason(s) that these comments were rejected, in part or whole. The summary, along with a response to each comment received will be posted on the [Regional Entity Name] website no later than the next posting of the proposed standard.

SPP’s regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 11, Sec V.B. Regional Reliability Standards Development Process Steps, Step 4, para. 2:*

Within 30 days of the conclusion of 30-day comment posting period the SDT shall convene and consider changes to the draft Standard, the implementation plan and/or supporting technical documents based upon comments received. The SDT may elect to return to Step 3. *Scoping and Drafting* to revise the draft Standard, and/or any supporting documentation. The SDT shall summarize the comments received and any changes made as a result. This summary will be presented to the MOPC and posted on the RE website when completed.

**COMMON ATTRIBUTE 15**

Upon recommendation of the drafting team, and if the [standards] committee concurs that all of the requirements for development of the standard have been met, the standards process manager shall post the proposed standard and implementation plan for ballot and shall announce the vote to approve the standard, including when the vote will be conducted and the method for voting. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

SPP’s regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 12, Sec V.B. Regional Reliability Standards Development Process Steps, Step 5:*

SPP staff will schedule a vote by interested parties to be scheduled to commence no sooner than 15 days and no later than 30 days following the posting of the revised draft.

*Step 4, limits the ability for the MOPC and the SDT to revise the draft standard without returning to Step 3 – Scoping and Drafting and Step 4 Post Draft for 30 Day Public Comment. See SPP RE Standards Development Process Manual Page 12, Sec V.B. Regional Reliability Standards Development Process Steps, Step 4, end of last paragraph:*

The SDT may elect to return to Step 3. *Scoping and Drafting* to revise the draft Standard, and/or any supporting documentation. The SDT shall summarize the comments received and any changes made as a result. This summary will be presented to the MOPC and posted on the RE website when completed.

#### **COMMON ATTRIBUTE 16**

The standards process manager shall schedule a vote by the [Regional Entity Name] [registered ballot body/[standards] committee]. The vote shall commence no sooner than [15] days and no later than [30] days following the issuance of the notice for the vote.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 12, Sec V.B. Regional Reliability Standards Development Process Steps, Step 5:*

Interested parties shall be allowed to vote over a period of 15 days. It is expected that votes will be through electronic means such as email, but may be submitted through other means as available from SPP.

#### **COMMON ATTRIBUTE 17**

The [Regional Entity Name] registered ballot body shall be able to vote on the proposed standard during a period of [not less than 10] days.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 12, Sec V.B. Regional Reliability Standards Development Process Steps, Step 5 Open Voting:*

Interested parties shall be allowed to vote over a period of 15 days. It is expected that votes will be through electronic means such as email, but may be submitted through other means as available from SPP.

### **COMMON ATTRIBUTE 18**

All members of [Regional Entity Name] are eligible to participate in voting on proposed new standards, standard revisions or standard deletions. [Alternatively: Each standard action requires formation of a ballot pool of interested members of the registered ballot body.]

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 12, Sec V.B. Regional Reliability Standards Development Process Steps, Step 5 Open Voting, SPP Segment Weighted Voting, paragraph 1:*

All interested parties are eligible to participate in voting on proposed new Standards, Standard revisions or Standard deletions. There is not a requirement to separately join a ballot body to participate in voting. Each interested party shall have one vote. A company or entity that qualifies in more than one segment may designate a different person qualified to represent the company/entity's interests in that segment to vote.

### **COMMON ATTRIBUTE 19**

Approval of the proposed regional reliability standard shall require a [two thirds] majority in the affirmative (affirmative votes divided by the sum of affirmative and negative votes). Abstentions and non-responses shall not count toward the results, except that abstentions may be used in the determination of a quorum. A quorum shall mean [XX%] of the members of the [registered ballot body/ballot pool] submitted a ballot.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 12, Sec V.B. Regional Reliability Standards Development Process Steps, Step 5 Open Voting, SPP Segment Weighted Voting, paragraph 2:*

SPP staff will accept votes from entities any time during the 15-day ballot period for the Standard. No pre-registration is required. Votes will be counted by segment. Each segment will receive 20% of the vote. A weighted vote of 2/3 affirmative of those voting will pass a Standard for SPP MOPC consideration (Step 7).

*SPP RE Bylaws Sec 3.8 Quorum, defines a quorum for SPP voting purposes:*

The quorum for any other Organizational Group or task force shall be one-half of the membership thereof, but not less than three members; provided, that a lesser number may adjourn the meeting to a later time.

## **COMMON ATTRIBUTE 20**

Under no circumstances may the board substantively modify the proposed regional reliability standard.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*SPP's standards process is overseen by the RE Trustee, a separate governing body from the SPP Inc. Board of Directors. SPP RE Standards Development Process Manual Page 14, Sec V.B. Regional Reliability Standards Development Process Steps, Step 11-RE Trustees Action, defines the only allowable actions that may be taken by the RE Trustees on a proposed regional standard:*

The RE Trustees are expected to either:

- Recommend NERC approve the Standard through the NERC process
- Remand the Standard to the MOPC with comments and instructions
- Determine there is no need for the Standard and terminate any future activity

*Additionally, the SPP BOD and the Members Committee (MC) whom review the recommended regional reliability standard prior to RE Trustees action, are limited to certain actions. See SPP RE Standards Development Process Manual Page 13, Sec V.B. Regional Reliability Standards Development Process Steps Step 9 – SPP Board of Directors/Members Committee Review:*

The BOD/MC will:

- Recommend the RE Trustees accept the Standard (Step 10); or
- Remand the Standard to the MOPC with comments

If a Standard is remanded twice, it is forwarded to the RE Trustees for action. (See Steps 10 and 11).

### **COMMON ATTRIBUTE 21**

Once a regional reliability standard is approved by the board, the standard will be submitted to NERC for approval and filing with FERC [and applicable authorities in Canada and Mexico.]

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 14, Sec V.B. Regional Reliability Standards Development Process Steps, Step 12, Submit to NERC for Approval as Regional Standard:*

#### ***Step 12 – Submit to NERC for Approval as Regional Standard***

SPP staff will notify interested parties of such action of the RE Trustees through the normal and customary communication procedures and processes then in effect.

The SPP staff will publicly notice any further steps necessary to have a Standard reviewed and/or approved through the NERC or any successor organization standards process.

### **COMMON ATTRIBUTE 22**

- **Open** - Participation in the development of a regional reliability standard shall be open to all organizations that are directly and materially affected by the [Regional Entity Name] bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in [Regional Entity Name], and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of drafting teams shall be open to the [Regional Entity Name] members and others.



SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 9, Sec V.A. Regional Reliability Standards Development Process, Assumptions and Prerequisites, 2<sup>nd</sup> bullet item-Openness:*

- **Openness** - Participation is open to all organizations that are directly and materially affected by the RE's BPS reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in the RE, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of SDT's are open to all interested parties and are noticed on the SPP website at least 7 days in advance. Since pre-existing SPP committees, working groups, or task forces may be assigned the responsibilities of a SDT, the agenda for meetings will note that an SDT activity is being undertaken to distinguish such activity from other non-SDT related agenda items. The openness provisions of this manual apply explicitly to the SDT activities.

### **COMMON ATTRIBUTE 23**

- **Balanced** - The [Regional Entity Name] standards development process strives to have an appropriate balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 9, Sec V.A. Regional Reliability Standards Development Process, Assumptions and Prerequisites, 3<sup>rd</sup> bullet item-Balance:*

- **Balance** - The RE Standards development process strives to have an appropriate balance of interests. The process prevents any two interest categories from dominating voting outcomes and no single interest category from defeating a proposed reliability standard.

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*The specific language cited in Common Attribute 23 was added by NERC in response to the Commission's July 20 Compliance Order. SPP has made changes to the SPP RE Standards Development Process Manual Page 9, Sec V.A. Regional Reliability Standards Development Process, Assumptions and Prerequisites.*

## **COMMON ATTRIBUTE 24**

- **Inclusive** — Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the bulk power system in the [Regional Entity Name] area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 9, Sec V.A. Regional Reliability Standards Development Process, Assumptions and Prerequisites, 1<sup>st</sup> bulleted item-Due Process:*

- **Due process** - Any person representing an organization with a direct and material interest has a right to participate by:
  - a) Expressing an opinion and its basis,
  - b) Having that position considered, and
  - c) Appealing any negative decision

## **COMMON ATTRIBUTE 25**

- **Fair due process** — The regional reliability standards development procedure shall provide for reasonable notice and opportunity for public comment. At a minimum, the procedure shall include public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute.

*See SPP RE Standards Development Process Manual Pages 10 thru 12, Sec V.B. Regional Reliability Standards Development Process Steps, Step 2-Notification to Regional Entity Trustees & Public Notice, Step 4 – Post Draft for 30 Day Public Comments, and Step 5 – Open Voting:*

### SPP Segment Weighted Voting

All interested parties are eligible to participate in voting on proposed new Standards, Standard revisions or Standard deletions. There is not a requirement to separately join a ballot body to participate in voting. Each interested party shall have one vote. A company or entity that qualifies in more than one segment may designate a different person qualified to represent the company/entity's interests in that segment to vote.

SPP staff will accept votes from entities any time during the 15-day ballot period for the Standard. No pre-registration is required. Votes will be counted by segment. Each segment will receive 20% of the vote. A weighted vote of 2/3 affirmative of those voting will pass a Standard for SPP MOPC consideration (Step 7).

The five SPP voting segments for Regional Reliability Standards are:

- 1) Transmission
- 2) Generation
- 3) Marketer/Broker
- 4) Distribution/Load Serving Entity
- 5) End User

***Step 2 – Notification to Regional Entity Trustees & Public Notice***

The Chairman of the MOPC or his/her designee will forward the request to the RE Trustees. SPP staff will also post the request on the SPP website for public notice and may utilize any appropriate SPP email distribution lists. The request is not to be judged as appropriate or useful at this stage.

***Step 4 – Post Draft for 30 Day Public Comments***

At the direction of the MOPC, the SPP staff will facilitate posting of the draft Standard on the SPP website, along with any supporting documents, for a 30-day comment period. The SPP staff shall also inform RE Members and other potentially interested entities of the posting using typical membership communication procedures then currently in effect, or by other means deemed appropriate. Comments may be submitted using the RSR Comment Form in Appendix B available on the SPP website.

Within 30 days of the conclusion of 30-day comment posting period the SDT shall convene and consider changes to the draft Standard, the implementation plan and/or supporting technical documents based upon comments received. The SDT may elect to return to Step 3. *Scoping and Drafting* to revise the draft Standard, and/or any supporting documentation. The SDT shall summarize the comments received and any changes made as a result. This summary will be presented to the MOPC and posted on the RE website when completed.

***Step 5 – Open Voting***

The SDT shall direct the SPP staff to post the revised draft Standard, implementation plan, supporting technical documentation, and summary of comments if necessary.

SPP staff will schedule a vote by interested parties to be scheduled to commence no sooner than 15 days and no later than 30 days following the posting of the revised draft.

Interested parties shall be allowed to vote over a period of 15 days. It is expected that votes will be through electronic means such as email, but may be submitted through other means as available from SPP.

If the vote fails to achieve a 2/3 majority of those voting, the Standard will be returned to the SDT for consideration for future action (Step 3). The SDT may seek guidance from the MOPC for further action. The SDT may: revise the Standard; post the Standard again for comments; rebalot the Standard; ask the MOPC to terminate the request; or any other action it deems appropriate. The SDT must consider any relevant timelines or deadlines as established by the MOPC in its consideration for further action.

## **COMMON ATTRIBUTE 26**

- **Transparent** — All actions material to the development of regional reliability standards shall be transparent. All standards development meetings shall be open and publicly noticed on the regional entity’s Web site.

SPP’s regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 9, Sec V.A. Regional Reliability Standards Development Process, Step 2 - Notification to Regional Entity Trustees & Public Notice, last 2 paragraphs:*

Any documentation of the deliberations of the SDT concerning the Standard shall be made available according to normal “business rules and procedures” of the SDT then in effect.

The SDT shall submit a report to the MOPC on a periodic basis (at least at every regularly scheduled MOPC meeting) showing the status of the Standard that has been assigned to it for consideration.

*SPP has made changes to the SPP RE Standards Development Process Manual Page 9, Sec V.A. Regional Reliability Standards Development Process ,Step 2 – Notification to Regional Entity Trustees & Public Notice, second to last paragraph to explicitly require open SDT meetings and notice of meeting dates and actions on the SPP Web site.*

## **COMMON ATTRIBUTE 27**

- Does not unnecessarily delay development of the proposed reliability standard.

SPP’s regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual page 10, Sec V.B. Regional Reliability Standards Development Process Steps, Step 3 – Scoping and Drafting:*

### ***Step 3 – Scoping and Drafting***

The SDT will draft the language of the Standard as per the Standard description provided by the MOPC. The SDT may recommend changes to the scope, purpose, need or other relevant aspects of the Standard through consultation with the MOPC.

The SDT will then develop a work plan for completing the Standard development work, including the establishment of milestones for completing critical elements of the work in sufficient detail to ensure that the SDT will meet the date objective established by the MOPC or the SDT shall propose an alternative date. This plan will be presented to the MOPC for its concurrence.

*Additionally, the SPP process requires the RE Trustees to act on a proposed reliability standard after 2 Remands by the SPP BOD. See Page 14, Step 9 – SPP Board of Directors/Members Committee Review:*

### ***Step 9 – SPP Board of Directors/Members Committee Review***

The BOD/MC will:

- Recommend the RE Trustees accept the Standard (Step 10); or
- Remand the Standard to the MOPC with comments

If a Standard is remanded twice, it is forwarded to the RE Trustees for action. (See Steps 10 and 11).

### **COMMON ATTRIBUTE 28**

Each standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 4, Sec III.C.  
Characteristics of a Regional Reliability Standard:*

### **C. Characteristics of a Regional Reliability Standard**

Standards define obligations or requirements for the operation and planning of interconnected systems and market interface practices that will be enforceable under the authority of the SPP RE. The format and process defined by this manual applies to all Standards.

A Standard shall have the following characteristics:

- **Material to Reliability** - A Standard shall be material to the reliability of bulk power systems of the RE's region. If the reliability of the bulk power systems could be compromised without a particular standard or by a failure to comply with that standard, then the standard is material to reliability.
- **Measurable** - A Standard shall establish technical or performance requirements that can be practically measured.
- **Relative to NERC Reliability Standards** - A Standard must go beyond, add detail to, or implement NERC reliability standards, or cover matters not addressed in NERC reliability standards.

### **COMMON ATTRIBUTE 29**

While reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all regional reliability standards shall be consistent with NERC's market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*SPP Bylaws requires the MOPC (which acts as the standards process manager for SPP) to also recommend commercial practices and coordinate with business standards developed by NAESB. See SPP Bylaws Sec 6.1 Markets and Operations Policy Committee, subsections (o) and (p):*

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.

The responsibilities of the Markets and Operations Policy Committee shall include:

- (o) Work with all SPP Organizational Groups to promote a high standard of operational reliability;
- (p) Continue coordination of its efforts with the efforts of North American Energy Standards Board (NAESB) and the ISO/RTO Council (IRC), including periodic review of NAESB business practices and IRC policies and their applicability to SPP and its Members;

### **COMMON ATTRIBUTE 30**

To ensure uniformity of regional reliability standards, a regional reliability standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

SPP's regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 5, Sec III.D. Elements of a Regional Reliability Standard:  
Violation severity levels has been added to the list of Performance Elements of a Regional Reliability Standard to be consistent with the NERC Proforma standards procedure.*



**D. Elements of a Regional Reliability Standard**

An RE Standard shall consist of the elements identified in this section of this manual. These elements are intended to apply a systematic discipline in the development and revision of Standards. This discipline is necessary to achieve standards that are measurable, enforceable, and consistent. The format allows a clear statement of the purpose, requirements, measures, and penalties for non-compliance associated with each Standard. Supporting documents to aid in the implementation of a Standard may be referenced by the Standard but are not part of the Standard itself. All mandatory requirements of a Standard shall be within an element of the standard.

*Performance Elements of a Regional Reliability Standard*

<b>Identification Number</b>	A unique identification number assigned in accordance with an administrative classification system to facilitate tracking and reference RE documentation. Format for Regional Standard Request will be: RSR-000
<b>Title</b>	A brief, descriptive phrase identifying the topic of the Standard.
<b>Effective Date and Status</b>	The effective date of the Standard or, prior to adoption of the Standard by the RE through its own processes, the proposed effective date.
<b>Purpose</b>	The purpose of the Standard. The purpose shall explicitly state what outcome will be achieved or is expected by this Standard.
<b>Requirement(s)</b>	Explicitly stated technical, performance, and preparedness requirements. Each requirement identifies the responsible entity and the action to be performed or outcome to be achieved.

<b>Risk Factor(s)</b>	<p>The potential reliability significance of each requirement, designated as a high, medium or low risk factor in accordance with the criteria listed below:</p> <p>A low risk factor requirement is administrative in nature. Violation of a low risk factor requirement would not be expected to affect the electrical state or capability of the BPS, or the ability to effectively monitor and control the BPS.</p> <p>A medium risk factor requirement could directly affect the electrical state or the capability of the BPS, or the ability to effectively monitor and control the BPS. However, violation of a medium risk factor requirement is unlikely to lead to BPS instability, separation, or cascading failures.</p> <p>A high risk factor requirement is one that, if violated, could directly cause or contribute to BPS instability, separation, or a cascading sequence of failures, or could place the BPS at an unacceptable risk of instability, separation, or cascading failures.</p> <p>Preparedness requirements, such as providing a valid restoration plan, are essential for reliability but may be used infrequently. Performance may not be directly observable through compliance monitoring. Risk factors for preparedness requirements should consider the potential impacts during the emergency, abnormal, or restorative conditions anticipated by the requirement.</p>
<b>Measure(s)</b>	<p>Each requirement shall be addressed by one or more measurements. Measurements will be used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measurement identifies to whom the measurement applies. Each measurement shall be tangible, practical, and objective. Achieving the full compliance level of each measurement should be a necessary and sufficient indicator that the requirement was met.</p>

**COMMON ATTRIBUTE 31**

All mandatory requirements of a regional reliability standard shall be within the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

SPP’s regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 5, Sec III.D. Elements of a Regional Reliability Standard, first paragraph:*

An RE Standard shall consist of the elements identified in this section of this manual. These elements are intended to apply a systematic discipline in the development and revision of Standards. This discipline is necessary to achieve standards that are measurable, enforceable, and consistent. The format allows a clear statement of the purpose, requirements, measures, and penalties for non-compliance associated with each Standard. Supporting documents to aid in the implementation of a Standard may be referenced by the Standard but are not part of the Standard itself. All mandatory requirements of a Standard shall be within an element of the standard.

**COMMON ATTRIBUTE 32**

<b>Applicability</b>	<p>Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions.</p> <p>If not applicable to the entire [Regional Entity Name] area, then a clear identification of the portion of the bulk power system to which the standard applies.</p> <p>Any limitation on the applicability of the standard based on electric facility requirements should be described.</p>
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SPP’s regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 5, Sec III.D. Elements of a Regional Reliability Standard, Table “Performance Elements of a Regional Reliability Standard”, Requirement(s):*

*The specific language cited in Common Attribute 32 was added by NERC in response to the Commission’s July 20 Compliance Order. SPP has made changes to the SPP RE Standards Development Process Manual Page 5, Sec III.D. Elements of a Regional Reliability Standard.*

<b>Requirement(s)</b>	<p>Explicitly stated technical, performance, and preparedness requirements. Each requirement identifies the responsible entity and the action to be performed or outcome to be achieved.</p>
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**COMMON ATTRIBUTE 33**

<b>Measure(s)</b>	Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.
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SPP’s regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Manual Page 6, Sec III.D. Elements of a Regional Reliability Standard, Table “Performance Elements of a Regional Reliability Standard”, Measure(s):  
The specific language cited in Common Attribute 33 was added by NERC in response to the Commission’s July 20 Compliance Order. SPP has made changes to the SPP RE Standards Development Process Manual Page 5, Sec III.D. Elements of a Regional Reliability Standard.*

<b>Measure(s)</b>	Each requirement shall be addressed by one or more measurements. Measurements will be used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measurement identifies to whom the measurement applies. Each measurement shall be tangible, practical, and objective. Achieving the full compliance level of each measurement should be a necessary and sufficient indicator that the requirement was met.
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**COMMON ATTRIBUTE 34**

<b>Compliance Monitoring Process</b>	Defines for each measure: <ul style="list-style-type: none"> <li>• The specific data or information that is required to measure performance or outcomes.</li> <li>• The entity that is responsible for providing the data</li> </ul>
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	<p>or information for measuring performance or outcomes.</p> <ul style="list-style-type: none"> <li>• The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.</li> <li>• The entity that is responsible for evaluating data or information to assess performance or outcomes.</li> <li>• The time period in which performance or outcomes is measured, evaluated, and then reset.</li> <li>• Measurement data retention requirements and assignment of responsibility for data archiving.</li> <li>• Violation severity levels.</li> </ul>
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SPP’s regional standard development procedure or other governing documents contain the following language relative to this Common Attribute:

*See SPP RE Standards Development Process Page 6, Manual Sec III.D. Elements of a Regional Reliability Standard, Table “Performance Elements of a Regional Reliability Standard”, Compliance Monitoring Process:*

<b>Compliance Monitoring Process</b>	<p>Defines for each measure:</p> <ul style="list-style-type: none"> <li>• The specific data or information that is required to measure performance or outcomes.</li> <li>• The entity that is responsible for providing the data or information for measuring performance or outcomes.</li> <li>• The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.</li> <li>• The entity that is responsible for evaluating data or information to assess performance or outcomes.</li> <li>• The time period in which performance or outcomes is measured, evaluated, and then reset.</li> <li>• Measurement data retention requirements and assignment of responsibility for data archiving.</li> </ul>
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*Violation severity levels has been added to the list of elements to be consistent with the NERC Proforma standards procedure.*

## **EXHIBIT D – COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM**

### **1.0 REGIONAL COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM**

#### **1.1 Obligations of Southwest Power Pool, Inc.**

**Southwest Power Pool, Inc. (“SPP”)** will implement the NERC Compliance Monitoring and Enforcement Program (Appendix 4C to the NERC Rules of Procedure) to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within **SPP’s** geographic boundaries set forth on **Exhibit A** of this Agreement, subject to any deviations from the NERC Compliance Monitoring and Enforcement Program described in Section 1.2 below (the “Compliance Program”).

#### **1.2 Deviations from the NERC Compliance Monitoring and Enforcement Program**

SPP’s Compliance Monitoring and Enforcement Program has no deviations from the NERC Compliance Monitoring and Enforcement Program.

### **2.0 REGIONAL HEARING OF COMPLIANCE MATTERS**

**SPP** shall establish and maintain a hearing body with authority to conduct and render decisions in compliance hearings in which a Registered Entity may contest a finding of alleged violation, proposed penalty or sanction, or a proposed mitigation plan, which shall be **SPP’s** Regional Entity Trustees.

### **3.0 OTHER DECISION-MAKING BODIES**

SPP does not use any other decision making bodies for its Compliance and Monitoring Enforcement Program.

## **Exhibit E — Funding**

### 1. Scope of activities funded through the ERO funding mechanism

Southwest Power Pool, Inc. (SPP) shall include in its annual budget submission to NERC amounts for costs it will incur in support of delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in the NERC Rules. These activities shall include:

- Reliability Standard Development (Section 300)
- Compliance Enforcement (Section 400)
- Organization Registration and Certification (Section 500)
- Reliability Readiness Audit and Improvement (Section 700)
- Reliability Assessment and Performance Analysis (Section 800)
- Training and Education (Section 900)
- Situational Awareness and Infrastructure Security (Section 1000)

### 2. Allocation of Costs

SPP shall allocate its dues, fees, and other charges for its activities pursuant to the delegation agreement among all Balancing Authorities on the basis of net-energy-for-load. SPP shall submit to NERC annually at the same time it submits its budget request a list of the Balancing Authorities within its geographic boundaries and their proportionate net energy for load.

### 3. Collection of Funding

NERC shall submit invoices to the Balancing Authorities identified by SPP covering the NERC and SPP Regional Entity budgets approved for collection.

NERC shall pursue any non-payments and shall request assistance from applicable governmental authorities as necessary to secure collection.

[Upon approval of the annual funding requirements by applicable governmental authorities, NERC shall fund each Regional Entities' costs identified in this Exhibit E in four equal quarterly payments.]

### 4. Application of Penalties

All penalty monies received by SPP shall be applied as a general offset to the entity's budget requirements for U.S.-related activities under this Agreement for the subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity.