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May 21, 2009

VIA ELECTRONIC FILING

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: North American Electric Reliability Corporation
Docket No. RR09-__ -000
Petition for Approval of Proposed Revisions to the Bylaws of
Southwest Power Pool, Inc.**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby submits the "Petition of the North American Electric Reliability Corporation for Approval of Proposed Revisions to the Bylaws of Southwest Power Pool, Inc."

This filing consists of: (1) this transmittal letter, (2) the narrative text of the filing, which follows this transmittal letter, and (3) Attachments A, B, C, D and E to the narrative. All of these documents are transmitted in a single pdf file.

Please contact the undersigned if you have any questions concerning this filing.

Respectfully submitted,

/s/ Owen E. MacBride
Owen E. MacBride

Attorney for North American Electric
Reliability Corporation

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ATTACHMENTS

Attachment A: Clean version of proposed amended Bylaws of Southwest Power Pool, Inc.

Attachment B: Redlined version of proposed amended Bylaws of Southwest Power Pool, Inc.

Attachment C: Table Listing the Amendments, by Section, to the Bylaws of Southwest Power Pool, Inc.

Attachment D: Southwest Power Pool, Inc. Recommendations to the SPP Board of Directors and the SPP Membership Concerning Proposed Bylaws Amendments

Attachment E: Letter from Southwest Power Pool, Inc. to NERC requesting approval of the proposed amendments to the Bylaws of Southwest Power Pool Inc.

I. INTRODUCTION

In accordance with 18 C.F.R. §39.10, the North American Electric Reliability Corporation (NERC) requests the Commission's approval of amendments to the Bylaws of Southwest Power Pool, Inc. (SPP), which are contained in Exhibit B to the Amended and Restated Delegation Agreement between NERC and SPP, as "Regional Entity Rules." SPP is one of the Regional Entities to which NERC has delegated certain statutory functions under §215 of the Federal Power Act (FPA), pursuant to the delegation agreement between NERC and SPP that has been approved by the Commission.¹ **Attachment A** to this filing is a "clean" version of the SPP Bylaws incorporating the proposed amendments. **Attachment B** is a redlined version of the proposed amended SPP Bylaws showing the amendments that are the subject of this filing in legislative style. **Attachment B** is redlined against the SPP Bylaws that were included in Exhibit B to the Amended and Restated Delegation Agreement between NERC and SPP filed in Attachment 9 to NERC's July 21, 2008 compliance filing with the Commission in Docket Nos. RR06-1-016 *et al.*,² and were approved by the Commission in its Order issued December 19, 2008.³

SPP is a Regional Transmission Organization which also performs Regional Entity functions pursuant to its Delegation Agreement with NERC. In accordance with the procedure established in the Commission's September 21, 2007 *Order on Rehearing* in Docket Nos. RR06-

¹ Pursuant to §215(e)(4) of the FPA and 18 C.F.R. §39.8, the Commission approved a delegation agreement between NERC and SPP in an order issued April 19, 2007. *North American Electric Reliability Corp.*, 119 FERC ¶ 61,060 (2007).

² *Compliance Filing of the North American Electric Reliability Corporation in Response to March 21, 2008 Order*, filed July 21, 2008.

³ *Order Accepting Compliance Filings, Subject to Conditions*, 125 FERC ¶ 61,330 (2008) (*December 19, 2008 Order*), at P 108.

1-008 *et al.*, the NERC Board of Trustees must approve all amendments to the SPP Bylaws relating to SPP's Regional Entity responsibilities. For all other amendments to the SPP Bylaws (which are separately filed with the Commission pursuant to §205 or §206 of the FPA), SPP must provide the proposed amendment to NERC, for review to determine if the Bylaws amendment has ramifications for SPP's performance of its Regional Entity functions. These other amendments do not require approval by NERC; however, NERC is to inform SPP and the Commission of any reliability-related issues that are raised by such Bylaws revisions submitted pursuant to §205 or §206, for the Commission's appropriate actions.⁴

Attachment C is a table listing all the amendments to the SPP Bylaws. The SPP Bylaws amendments include amendments to the following sections that pertain to SPP's Regional Entity functions: Sections 3.2, 3.8, 3.9.2, 3.14, 3.16, 4.6.1, 9.2, 9.3, 9.4, 9.6, 9.7.1, 9.7.2.3, 9.7.3, 9.7.3(a), 9.7.3(b), 9.7.3(d), 9.7.3(e)(1) and (2), 9.7.4, 9.7.5 and 9.7.6. These sections are marked by asterisks (***) on **Attachment C**. The NERC Board has reviewed and approved these amendments as "Regional Entity Rules" pursuant to 18 C.F.R. §39.10(a), and NERC now submits these proposed amendments to the SPP Bylaws to the Commission for approval as Regional Entity Rules.

The remaining SPP Bylaws amendments, which do not pertain to or affect the performance of SPP Regional Entity functions, are to the following sections: 1.1; 2.2; 3.1; 3.3; 3.3.2; 3.4; 3.5; 3.9; 3.11; 3.12; 3.13; 3.13.1; 3.13.2; 3.13.3; 3.17; 4.1; 4.2.3, 4.3, 4.3(a), (b), (d), (e)(1) and (2); 4.4, 4.5, 4.6.3; 5.1.2; 6.1; 6.2; 6.3; 6.4; 6.5; 6.6; 8.1; 8.2; 8.7.2; and 10.0. NERC has reviewed these amendments and determined that none of them has any reliability-related implications and none of them will impair SPP's performance of its delegated Regional Entity

⁴ See *Order on Rehearing*, 120 FERC ¶61,260 (2007) (*September 21, 2007 Order*), at PP 16-20.

functions. SPP is submitting a separate filing of these other Bylaws amendments with the Commission pursuant to §205 of the FPA.

By approving the amendments to the SPP Bylaws included in this filing and SPP's separate filing, the Commission will also be approving the Bylaws amendments for purposes of Exhibit B to the Amended and Restated Delegation Agreement between NERC and SPP.

The SPP Bylaws amendments were approved by the SPP Board of Directors and by the SPP Membership, as applicable, on April 28, 2009.⁵ SPP submitted the amended Bylaws to NERC for approval on April 30, 2009 (*see Attachment E*).⁶ On May 12, 2009, the NERC Board of Trustees approved the amendments to the SPP Bylaws requiring NERC approval.

II. NOTICES AND COMMUNICATIONS

Notices and communications with respect to this filing may be addressed to:

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⁵ Pursuant to the SPP Bylaws, certain of the amendments could be adopted based on approval by the SPP Board, while other amendments required approval by the SPP Membership. **Attachment D** contains copies of the recommendations provided to the SPP Board and Membership for their consideration in acting on the proposed Bylaws amendments at the April 28, 2009 meetings.

⁶ **Attachment E** does not include the enclosures provided with that letter, which are duplicative of the other Attachments to this filing.

III. BASIS AND PURPOSE OF THE PROPOSED AMENDMENTS TO THE SPP BYLAWS

Section 39.10(a) of the Commission's regulations states, in pertinent part:

A Regional Entity shall submit a Regional Entity Rule or Rule change to the Electric Reliability Organization and, if approved by the Electric Reliability Organization, the Electric Reliability Organization shall file the proposed Regional Entity Rule or Rule change with the Commission for approval. Any filing by the Electric Reliability Organization shall be accompanied by an explanation of the basis and purpose for the Rule or Rule change, together with a description of the proceedings conducted by the Electric Reliability Organization or Regional Entity to develop the proposal.

Section 39.1 of the Commission's regulations defines "Regional Entity Rule" for purposes of Part 39 as "the bylaws, a rule of procedure or other organizational rule or protocol of a Regional Entity." Therefore, proposed amendments to a Regional Entity's bylaws are subject to the requirements of §39.10.

Because SPP does not have separate sets of Bylaws for its delegated Regional Entity functions and its other functions, NERC approval is required only for amendments to the SPP Bylaws that relate to the SPP Regional Entity functions. SPP must advise NERC of other amendments to the SPP Bylaws, so that NERC can determine if the amendments have any reliability impacts or would impair SPP's performance of its Regional Entity functions, but NERC approval is not required.⁷

Section III.A of this filing describes the basis and purpose for the proposed amendments to the SPP Bylaws that require NERC approval as Regional Entity Rules. Section III.B describes

⁷ *September 21, 2007 Order*, at PP 16-20. In P 19, the Commission specified: ". . . SPP must submit to NERC for approval any revision to the SPP bylaws that relate to the SPP Regional Entity functions. In addition, any other proposed revision to the SPP bylaws that is filed with the Commission pursuant to sections 205 and 206 of the FPA must be served on NERC. . . NERC would not approve such a filing. However, this approach will provide NERC the opportunity to review such a proposed bylaw revision and determine whether it has any ramification to the Regional Entity function."

NERC's review and conclusions with respect to the other SPP Bylaws amendments. Finally, Section IV of this filing describes the proceedings conducted by SPP and by NERC to approve (where required) the proposed Bylaws amendments.

A. SPP Bylaws Amendments Requiring NERC Approval

NERC notes that §9.0, REGIONAL ENTITY FUNCTION, is the primary section of the SPP Bylaws pertaining to SPP's Regional Entity activities. However, other sections that are included in the proposed Bylaws amendments also pertain to the Regional Entity functions, and therefore require NERC approval.

1. Amendments to §3.2

Section 3.2 pertains to attendance and use of proxies at meetings of SPP Organizational Groups.⁸ The amendments to §3.2 are based on comments from members received through the annual SPP Chairs and Secretaries (of Organizational Groups) Workshop. Specifically, members expressed concerns (1) that there were no attendance requirements for meetings, (2) that proxies were being used excessively, and (3) over how the use of proxies affected the quorum for meetings. The title of §3.2 is being changed from "Proxies" to "Attendance and Proxies." The amendments to the text are shown below in legislative style:

Except for the Market and Operations Policy Committee (MOPC), if a representative does not attend three consecutive Organizational Group meetings, he/she will be considered to have resigned from the group, absent express waiver of this requirement by the chair of the group. Any appeal of removal from the roster of an Organizational Group should be directed to the Corporate Secretary. Any resulting vacancy will be filled in accordance with Section 3.1 Structure of these Bylaws.

If a ~~Member's designated~~ representative is unable to attend an Organizational Group meeting, ~~it~~ he/she may in writing appoint a substitute

⁸ "Organizational Group" is defined in §1.12 of the SPP Bylaws as "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."

representative who shall have such rights to participate and vote as the Member representative specifies. The substitute representative may be another member of the Organizational Group or another person who has the authority to act on behalf of the representative. A representative may not grant a proxy for more than three consecutive meetings without the express consent of the chair of the Organizational Group. If a representative exceeds the proxy limit, he/she will be considered to have resigned from the Organizational Group and the vacancy will be filled in accordance with these Bylaws; except, in the case of any full representation Organizational Group, in which case a new representative will be solicited from the member company.

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

As amended, §3.2 will provide: (1) a member of an Organizational Group who does not attend three consecutive meetings will be considered to have resigned (with provision for certain exceptions, waivers and the right to appeal); (2) a proxy may not be granted for more than three consecutive meetings of the Organizational Group, or the member giving the proxy will be considered to have resigned; and (3) a proxy given to another member of the Organizational Group will not be counted toward meeting the quorum requirement for the meeting, but a proxy given to another person having authority to act on behalf of the person giving the proxy will be counted toward the quorum requirement.

2. Amendments to §3.8

Section 3.8 pertains to quorum requirements for meetings of SPP Organizational Groups and task forces. The amendments to §3.8 are also based on comments from members received through the annual SPP Chairs and Secretaries Workshop. Specifically, members expressed concerns about how proxies affected the determination of whether a quorum was present and maintained. The amendments to §3.8 are consistent with the amendments to §3.2 discussed

above. The amendments also address the impact of loss of a quorum on the binding nature of any action taken at the meeting:

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~~ representatives thereof, but not less than three ~~members~~ representatives; provided, that a lesser number may adjourn the meeting to a later time. The quorum for a meeting must be established and maintained throughout the meeting in order for the Organizational Group to take any binding action(s). Notwithstanding the above, any actions taken before a quorum is lost are considered valid and binding. A proxy will serve to meet the quorum requirements as described in Section 3.2 Proxy of these Bylaws.

3. Amendments to §3.9.2

Section 3.9, Voting, has been divided into two subsections, 3.9.1, Markets and Operations Policy Committee and Membership, and 3.9.2, Organizational Groups and Task Forces, to address the two different voting scenarios applicable to these different groups. New §3.9.2 affects Regional Entity functions, and therefore requires NERC approval. Specifically, the following sentence is being added in new §3.9.2 that is not present in current §3.9.: “If an Organizational Group is acting as a Standards Development Team as defined in Section 9.5 *Regional Reliability Standards Development Process* of these Bylaws, it will vote in accordance with the SPP Standards Development Process as approved by FERC.”

4. Amendment to §3.14

Section 3.14 is being amended to specify that the Chair of the SPP Board of Directors will preside over meetings of the Members for the purpose of electing Regional Entity Trustees (as well as meetings held to elect Directors and Members Committee representatives). SPP states that amended §3.14 will conform to SPP’s current practice in this regard.

5. Amendment to §3.16

Section 3.16 pertains to the Regional Entity compliance monitoring and enforcement function, and therefore amendment of this section requires NERC approval. The proposed amendment to §3.16, however, is for purposes of clarification of language, and does not add or remove substantive provisions:

3.16 Compliance with Membership Requirements

Compliance monitoring of Members and Staff shall be performed to ensure compliance with all requirements of Membership. Certain SPP compliance monitoring and enforcement functions, as detailed in Section 9.0, shall be performed in concert with related ERO programs, and will be overseen by the Regional Entity Trustees. Other monitoring functions shall be provided by appropriate SPP staff under the oversight of the Oversight Committee and the Board of Directors. Compliance monitoring shall be an after-the-fact investigative and assessment function.

6. Amendment to §4.6.1

Section 4.6.1 is being amended to state that meetings of the Board of Directors (excepting executive sessions) should include a representative from the SPP Regional Entity Trustees (as well as the Members Committee and a representative of the Regional State Committee). SPP states that amended §4.6.1 will conform the text to SPP's current practice.

7. Amendment to §9.2 and §9.3

Sections 9.2 and 9.3 are being amended to replace references to the "Executive Director of Compliance" with references to the "Regional Entity (RE) General Manager." Additionally, amended §9.3 states that the RE General Manager shall be "selected by" the Regional Entity Trustees. As the Commission is aware, the Regional Entity General Manager position was created and then staffed in early 2009, and was endorsed in the Commission's approval of its audit staff's 2008 report with respect to SPP's Regional Entity functions.

8. Amendments to §9.4 and §9.6

Amendments are proposed to §9.4 and §9.6 for purposes of minor clarification and clean-up of the text. In §9.4: (i) the caption is being revised from “Duties of Compliance Staff” to “Duties of Regional Entity Staff”; (ii) the first, lead-in sentence is being revised to read, “Regional Entity Compliance functions related to compliance monitoring and enforcement shall include but are not limited to:” (the list that follows this lead-in consists of compliance-related activities); and (iii) item (c) in the list of functions is being revised to read, “Performance of in-depth reviews of operations in conjunction with the Compliance Monitoring and Enforcement Program (CMEP)”. Section 9.6 is being amended as follows:

The Regional Entity Trustees will oversee SPP’s Compliance Monitoring and Enforcement Program (CMEP). The CMEP will enforce compliance according to ERO reliability standards for Registered Entities. Regional Entity ~~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 Regional Entity Trustees.

9. Amendments to §9.7.1

Amendments are proposed to §9.7.1, Functions and Duties of the Regional Entity Trustees, for minor clarification and clean-up of text. In the first paragraph of §9.7.1, the second sentence is being revised as follows: “In reaching any decision and in considering the recommendations of an appropriate entity, the Regional Entity Trustees shall abide by the principles in these Bylaws. Its duties shall include, but are not limited to oversight of the following”. In the list of duties that follows, item (b) is being amended as follows: “Administer SPP’s Compliance Monitoring and Enforcement Program.”

10. Amendment to §9.7.2.3

Section 9.7.2.3, Conflicts of Interest, is being amended as follows:

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~~ invest through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted towards the electric industry or any segments thereof) under which the trustee does not control the purchase or sale of such securities in accordance with the SPP Standards of Conduct. Participation in a pension plan of a Member, customer, or Registered Entity in the SPP footprint shall not be deemed to be a direct financial benefit if the Member's, customer's, or Registered Entity's financial performance has no material effect on such pension plan.

As amended, this section will simply refer to the SPP Standards of Conduct as setting forth the criteria for permissible investments by Regional Entity Trustees. The same amendment being made in §9.7.2.3 with respect to SPP Regional Entity Trustees is also being made in §4.2.3, Conflicts of Interest, pertaining to Directors of SPP.

11. Amendments to §9.7.3

Amendments are proposed to §9.7.3, Term and Election, including to subsections (a), (b), (d) and (e), to clarify and revise procedures for election of SPP Regional Entity Trustees. The same amendments are being made to §4.3, Term and Election, pertaining to election of SPP Directors.

In the first paragraph of §9.7.3, the sentence “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”, is being deleted. This sentence is no longer relevant, as the staggered terms of the Regional Entity Trustees have now been established.

In §9.7.3(a), the time period for commencing the Regional Entity Trustee nomination process in advance of the meeting of Members at which the Trustee is to be elected, is changed from “three months” to “90 calendar days”.

In §9.7.3(b), certain time periods are also being restated from months/weeks to calendar days, and other revisions are being made in the description of the Regional Entity Trustee nomination process. SPP states that the amendments will conform the text of §9.7.3(b) to current practice:

At least ~~one month~~ 45 calendar days prior to the meeting of Members, the Corporate Governance Committee shall ~~notify the President in writing of~~ determine the person it nominates for election as a trustee, specifying the nominee for any vacancy to be filled. The ~~President~~ Corporate Secretary shall prepare the ballot accordingly, leaving space for additional names, and shall deliver same to Members at least ~~two weeks~~ 30 calendar days prior to the meeting of Members;

Section 9.7.3(d) is being amended to provide that additional nominees for Regional Entity Trustee positions may be added to the ballot on motion made and seconded at least 15 days prior to the meeting of Members at which the election is to be held, and with evidence that the nominee is supported by at least 20 percent of the existing Membership. Under the current provision, additional nominations could be made at the meeting of Members. The amended provision will continue to allow additional nominations to be made by the Members, but the 15 days notice will allow time for vetting the nominees, and the new requirement that the additional nominee(s) have support of at least 20 percent of the Membership will reasonably necessitate that the additional nominee(s) have at least a minimal level of support. The specific amendment to §9.7.3(d) is as follows:

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

Section 9.7.3(e) is being amended for several reasons. First, as amended, §9.7.3(e) will allow a Member to cast a vote(s) against one or more nominees for Regional Entity Trustee (currently a Member may only vote for a nominee). Second, §9.7.3(e) is being divided into

subparts (1) and (2) to address separately elections in which there is only one nominee for a Regional Entity Trustee position, and elections in which there are more than one nominee for a Regional Entity Trustee position. Where there is only one nominee, a super-majority is required in accordance with §3.9, Voting, of the Bylaws. Where there are two or more nominees, a Member may vote for only one of the nominees but may vote against all of the others, and a simple majority of the votes cast will determine which nominee is elected to the Regional Entity Trustee position. Third, amended §9.7.3(e) refers to the voting procedures in §3.9 rather than restating them. Fourth, amended §9.7.3(e) provides that in either case, if a Regional Entity Trustee position is not filled, the Corporate Governance Committee will determine a new nominee for recommendation for election by the Membership at a special meeting to be held no later than the next regular Board of Directors/Members Committee meeting. The amendments to §9.7.3(e) are as follows:

~~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.~~ 1) If only one candidate is nominated for a seat, Each each Member shall be entitled to cast a number of votes equal to the number of trustees to be elected vote for or against the nominee. 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 vacanc(ies) The votes will be calculated in accordance with Section 3.9 Voting of these Bylaws, which require a super majority. In the event a trustees position is not filled the Corporate Governance Committee will determine a new nominee for recommendation for election by the Membership at a special meeting of Members to be held but no later than the next regular Board of Directors/Members Committee meeting;

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

12. Amendment to §9.7.4

Section 9.7.4, Resignation and Removal of Regional Entity Trustees, is being amended to refer to §3.9 for the applicable voting requirement for removal of a Regional Entity Trustee:

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~~ in accordance with Section 3.9 Voting of these Bylaws. Removal proceedings may only be initiated by a petition signed by not less than twenty percent of the Members. The petition shall state the specific grounds for removal and shall specify whether the removal vote is to be taken at a special meeting of Members or at the next regular meeting of Members. A trustee who is the subject of removal proceedings shall be given fifteen days to respond to the Member petition in writing to the President.

13. Amendment to §9.7.5

Section 9.7.5, Vacancies, is being amended to eliminate the provision for appointment of an interim Regional Entity Trustee in the event of a vacancy. Instead, the Corporate Governance Committee will nominate a candidate to fill the unexpired Trustee term, and an election to fill the vacancy will be conducted at a special meeting of Members to be held on 30 days notice:

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

14. Amendment to §9.7.6

Section 9.7.6, Meetings and Notice of Meetings, is being amended to provide some flexibility for the Regional Entity Trustees in scheduling and holding their meetings. Generally, as a convenience to those who wish to attend and observe both the Board meetings and the Regional Trustees meetings, regular meetings of the Regional Entity Trustees are scheduled in

conjunction with the regularly scheduled meetings of the SPP Board of Directors. The amendment provides that the meeting schedule of the Regional Entity Trustees may be adjusted for good cause and with sufficient notice. The requirement for sufficient notice of the meeting mitigates any adverse impacts in terms of stakeholder access to the Trustees meeting. The amendment to §9.7.6 is as follows:

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

B. Other Amendments to the SPP Bylaws

On April 28, 2009, the Board of Directors and Members, as applicable, also approved amendment to the following sections of the SPP Bylaws that do not pertain to SPP's Regional Entity functions:

- 1.1 (§1.1 contains the definition "Affiliate Relationships").
- 2.2 (§2.2 pertains to Applications for Membership in SPP).
- 3.1; 3.3; 3.3.2; 3.4; 3.5; 3.9⁹; 3.11; 3.12; 3.13; 3.13.1; 3.13.2; 3.13.3; 3.17; (§3.0 pertains generally to Organizational Administration of SPP).
- 4.1; 4.2.3; 4.3, 4.3(a), (b), (d), (e)(1) and (2); 4.4; 4.5; 4.6.3 (these sections pertain to the Conflicts of Interest of members of the SPP Board of Directors; Term and Election of the Board; Resignation and Removal of SPP Directors; Vacancies on the SPP Board of Directors; and Quorum and Voting requirements for the SPP Board).
- 5.1.2 (this section pertains to the election and terms of representatives to committees advising the SPP Board of Directors).

⁹ As described in III.A.1 above, a portion of the amendments to §3.9.2 does pertain to the performance of Regional Entity functions, and this amendment has been substantively reviewed and approved by the NERC Board.

- 6.1; 6.2; 6.3; 6.4; 6.5; 6.6; (these sections pertain to committees reporting to the SPP Board of Directors – the Market and Operations Policy Committee; Strategic Planning Committee; Human Resources Committee; Oversight Committee; Finance Committee; and Corporate Governance Committee).
- 8.1; 8.2; 8.7.2 (these sections pertain to the SPP Operating Budget, Annual Membership Fee, and Financial Obligation of Withdrawing Members).
- 10.0 (§10.0 contains provisions for Amendments to the SPP Bylaws, Articles of Incorporation, and Membership Agreement).

NERC has reviewed all these amendments and determined none of them has any reliability-related implications and none of them will impair SPP’s performance of its delegated Regional Entity functions. Many of these amendments correct typographical or grammatical errors in text or make minor clarifications to or clean-ups of text. SPP is submitting a separate filing of these other Bylaws amendments with the Commission pursuant to §205 of the FPA.

NERC notes the following with respect to certain of these other amendment:

- (1) The amendments to §4.3, Term and Election, §4.4, Resignation and Removal of Directors, and §4.5, Vacancies, make similar changes to the provisions for nomination and election, resignation and removal, and replacement in the case of vacancies, of members of the SPP Board of Directors as are being made by the amendments to §9.7.3, §9.7.4 and §9.7.5 with respect to nomination and election, resignation and removal, and replacement in the case of vacancies, of Regional Entity Trustees.
- (2) The amendments to §8.1, Operating Budget, expressly make provision for recognition of any different provisions in §9.0 pertaining to the Regional Entity functions, by revising the third sentence to read: “Except as addressed in Section 9.0 *Regional Entity Function*, once approved by the Board of Directors, the budget shall constitute the authority required by the Officers for expenditures for the ensuing year.”
- (3) In its *September 21, 2007 Order*, the Commission listed the following sections of the SPP Bylaws, each of which is now being amended as one of the other amendments to the Bylaws, as potentially pertaining to the Regional Entity function: 3.5, 5.1, 6.1, 8.2 and 10.0.¹⁰ None of the amendments to these sections, however, has any reliability-related implications and none of them will impair SPP’s performance of its delegated Regional Entity functions:

¹⁰ *September 21, 2007 Order* at P 18 and footnote 28.

- The amendment to §3.5 corrects a grammatical error and is non-substantive.
- The amendments to §5.1.2 make certain ministerial and non-substantive changes to the procedure for nominating and electing representatives to committees advising the SPP Board (such as changing “three months” and “one month” to “90 calendar days” and “30 calendar days”, and specifying that the Corporate Secretary, not the President, of SPP will prepare the ballots), and do not affect Regional Entity functions.
- The amendment to §6.1 revises the first sentence as follows: “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.~~” This amendment affects only the timing of appointment of representatives to the SPP MOPC and does not affect Regional Entity functions.
- The amendment to §8.2, Annual Membership Fee, adds the following sentence: “Unless otherwise agreed, Membership fees for new Members are due at the execution of the Membership Agreement.” However, §2.5 of the SPP Bylaws, the addition of which was approved by the Commission in the *December 19, 2008 Order*, now provides: “Participation in SPP Regional Entity activities is open to the public and does not require membership in SPP, Inc., nor any of the obligations of membership, including SPP, Inc.’s annual fee.”
- The amendment to §10.0 corrects a typographical error in the title of the section, and is non-substantive.

IV. APPROVAL PROCESS FOR THE BYLAWS AMENDMENTS

SPP adopted the proposed amendments to its Bylaws pursuant to the procedures specified in the Bylaws. Section 10.0 of the Bylaws provides that (1) amendments to all sections of the Bylaws except §4.0, §5.0, §9.0 and §10.0 may be approved by affirmative vote of at least five members of the SPP Board of Directors after 30 days notice to the Membership of the proposed amendment; and (2) §4.0, §5.0, §9.0 and §10.0 of the Bylaws may be amended only by vote of the Membership. The amendments to §1.0, §2.0, §3.0, §6.0 and §8.0 of the Bylaws were approved by the SPP Board of Directors at a meeting on April 28, 2009. The amendments to §4.0, §5.0, §9.0 and §10.0 were approved by the Membership of SPP at a meeting of Members, also held on April 28, 2009.

On April 30, 2009, SPP transmitted its written request to NERC requesting approval by NERC of the proposed Bylaws amendments requiring NERC approval, to be followed by submission to the Commission for approval (**Attachment E**). At a meeting held by conference call on May 12, 2009, the NERC Board of Trustees approved the proposed amendments to the SPP Bylaws that required NERC approval (*i.e.*, those pertaining to the SPP Regional Entity function), and directed that an appropriate filing be made with the Commission for approval of these amendments to the SPP Bylaws.

V. CONCLUSION

For the reasons discussed above, NERC respectfully asks the Commission to approve the proposed amendments to the Bylaws of Southwest Power Pool, Inc., discussed in §III.A herein, as “Regional Entity Rules,” and to approve all the amendments to the SPP Bylaws presented in this filing and in SPP’s separate filing for purposes of Exhibit B to the Amended and Restated Delegation Agreement between NERC and SPP.

Respectfully submitted,

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ATTACHMENT A

**CLEAN VERSION OF PROPOSED AMENDED BYLAWS OF
SOUTHWEST POWER POOL, INC.**

Southwest Power Pool, Inc.
Bylaws
Original Volume No. 4

Southwest Power Pool, Inc.

B Y L A W S

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.

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

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 Criteria

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

1.5a Existing Obligations

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

1.5b ERO

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

1.6 Member

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

1.7 Membership

The collective Members of SPP.

1.8 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.

1.9 NERC

The North American Electric Reliability Corporation or successor organizations.

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.

Issued by: L. Patrick Bourne, Director – Regulatory Policy

Issued on: November 3, 2008

Effective: May 18, 2007

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER08-1380-000, Letter Order, Issued October 6, 2008.

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 SPP Compliance Monitoring and Enforcement Program

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

1.20 Staff

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

1.21 Standards Development Team

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

1.22 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.

1.23 Transmission Using Member

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

2.0 MEMBERSHIP

2.1 Qualifications

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

2.2 Applications

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

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

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

2.3 Member Responsibilities and Obligations

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

2.4 Termination, Removal and Reinstatement

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

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

2.5 Participation in Regional Entity Activities

Participation in SPP Regional Entity activities is open to the public and does not require membership in SPP, Inc. nor any of the obligations of membership, including SPP, Inc.'s annual fee.

3.0 ORGANIZATIONAL ADMINISTRATION

3.1 Structure

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

3.2 Attendance and Proxy

Except for the Market and Operations Policy Committee (MOPC), if a representative does not attend three consecutive Organizational Group meetings, he/she will be considered to have resigned from the group, absent express waiver of this requirement by the chair of the group. Any appeal of removal from the roster of an Organizational Group should be directed to the Corporate Secretary. Any resulting vacancy will be filled in accordance with Section 3.1 *Structure* of these Bylaws.

If a representative is unable to attend an Organizational Group meeting, he/she may in writing appoint a substitute representative who shall have such rights to participate and vote as the representative specifies. The substitute representative may be another member of the Organizational Group or another person who has the authority to act on behalf of the representative. A representative may not grant a proxy for more than three consecutive meetings without the express consent of the chair of the Organizational Group. If a representative exceeds the proxy limit, he/she will be considered to have resigned from the Organizational Group and the vacancy will be filled in accordance with these Bylaws; except, in the case of any full representation Organizational Group, in which case a new representative will be solicited from the member company.

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

3.3 Leadership

3.3.1 Appointment

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

A Vice Chair shall act for a Chair:

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

3.3.2 Terms

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

3.3.3 Vacancies

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

3.4 Executive Authority

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

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

3.5 Meetings

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

3.6 Order of Business

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

3.7 Expenses

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

3.8 Quorum

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

3.9 Voting

3.9.1 Markets and Operations Policy Committee and Membership

Upon joining, Members shall be assigned to one of two Membership sectors for the sole purpose of voting on matters before the Markets and Operations Policy Committee or the Membership: Transmission Owning Members, or Transmission Using Members. Each sector votes separately with the result for that sector being a percent of approving votes to the total number of Members voting. An action is approved if the average of these two percentages is at

least sixty-six percent. If no Members are present within a sector, the single present sector-voting ratio will determine approval. Unless otherwise stated in these Bylaws, the Markets and Operations Policy Committee or the Membership may determine to vote on an issue by email. The outcome of any email vote must be recorded in the minutes for the group.

3.9.2 Organizational Groups and Task Forces

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

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

3.10 Appeal

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

3.11 Staff Independence and Support

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

3.12 Publications and Data Bases

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

3.13 Dispute Resolution

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

3.13.1 Instigation

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

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

3.13.2 Dispute Resolution Process

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

In the event SPP is not a party to the dispute, the parties to the dispute may engage a firm specializing in alternative dispute resolution to administer the dispute resolution process. The firm will be mutually determined by the parties and the process will be administered in accordance with these Bylaws and such other SPP governing documents as may be relevant to the proceeding. In the event the parties cannot mutually agree to the engagement of a firm, and do not determine some other mutually acceptable procedure, the President of SPP shall provide to each party to the dispute a list of candidates to be used in forming a three-person dispute resolution panel. The candidates shall be persons meeting the requirements for directors. The President shall then call a telephone conference meeting during which each party shall alternate striking names from the list

until those remaining constitute the dispute resolution panel. This panel shall select a chair from its membership. Should any candidate decline to serve or resign from a current appointment for any reason, the candidate whose name was last struck from the list shall be contacted to serve. The President shall assign a Staff representative to assist the panel as secretary. The President shall manage the panel selection process to ensure its timely completion.

3.13.3 Resolution Procedures

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

- (a) An Advisory Proceeding to assist each party through discussion and advice, on a separate and individual basis without active participation in the joint discussions and negotiations, to resolve the dispute informally by mutual agreement;
- (b) A Mediation Proceeding to assist the parties through active participation in the joint discussions and negotiations (including specific recommendations of the issues in dispute) through which the parties indirectly attempt to resolve the dispute informally by mutual agreement;
- (c) A non-binding Dispute Resolution Proceeding to hear formal evidence on factual matters related to the issues submitted, make written findings and conclusions of fact, and issue specific written recommendations for resolution of each issue in dispute.
- (d) A binding Dispute Resolution Proceeding to hear formal evidence on factual matters related to the issues submitted, make written findings and conclusions of fact, and issue directives and awards for resolution of each issue in dispute.

The panel chair shall determine meeting arrangements and format necessary to efficiently expedite the resolution of the dispute, and the Staff secretary shall notify the parties of these details. Each party to the dispute must have at least one representative present at all related meetings with full authority to resolve the dispute. Upon conclusion of this process, the panel chair shall notify the President of its outcome. After consultation with the parties to the dispute

and the panel chair to determine the completion of the process as described herein, and/or as modified by the parties, the President shall discharge the panel, and notify the Board of Directors of the results. The parties to the dispute agree to complete the process within 90 days from selection of the panel. Final determinations may be subject to corporate or regulatory approvals, which the parties should disclose at the outset of the process. The Staff secretary shall maintain minutes of the panel meetings, which shall become part of SPP's historical records.

3.13.4 Expenses

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

3.13.5 Liability

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

3.14 Meeting of Members

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

3.15 Liability, Insurance and Indemnification

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

3.15.1 Waiver of Liability

- (a) SPP shall not be liable to any Member for damages arising out of or related to any directive, order, procedure, action, or requirement of SPP, under the then effective Bylaws and Criteria.
- (b) No Member shall be liable to any other Member or to SPP for damages arising out of or related to any action by the Member pursuant to any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria.
- (c) Each Member waives any future claim it might have against SPP or other Members arising out of or resulting from any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria.
- (d) SPP waives any future claim it might have against any Member arising out of or resulting from any actions taken by a Member pursuant to any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria.

3.15.2 Insurance

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

3.15.3 Indemnification of Directors, Officers, Agents and Employees

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

- (a) Such director, Regional Entity Trustee, officer, agent, employee, or other representative must have acted in good faith and, in the case of criminal proceedings, must have had no reasonable cause to believe that conduct was unlawful; provided, that SPP shall not provide indemnification of any conduct judged unlawful in criminal proceedings. When acting in official capacity, the incumbent must have reasonably believed that conduct was in the best interests of SPP, and, when acting in any other capacity, must have reasonably believed that conduct was at least not opposed to the best interests of SPP.
- (b) If the proceeding was brought by or on behalf of SPP, however, indemnification shall be made only with respect to reasonable expenses referenced above. No indemnification of any kind shall be made in any such proceeding in which the director, Regional Entity Trustee, officer, agent, employee, or other representative shall have been adjudged liable to SPP.

- (c) In no event, however, will indemnification be made with respect to any described proceeding which charges or alleges improper personal benefit to a director, Regional Entity Trustee, officer, agent, employee, or other representative and where liability is imposed on the basis of the receipt of such improper personal benefit.
- (d) In order for any director, Regional Entity Trustee, agent, employee, or other representative to receive indemnification under this provision, the person shall vigorously assert and pursue any and all defenses to those claims, charges, or proceedings covered herein which are reasonable and legally available and shall fully cooperate with SPP or any attorneys involved in the defense of any such claim, charges, or proceedings on behalf of SPP.
- (e) No indemnification shall be made in any specific instance until it has been determined by SPP that indemnification is permissible in that specific case, under the standards set forth herein and that any expenses claimed or to be incurred are reasonable. These two (2) determinations shall be made by a majority vote of at least a quorum of the Board of Directors consisting solely of directors who were not parties to the proceeding for which indemnification or reimbursement of expenses is claimed. If such a quorum cannot be obtained, a majority of at least a quorum of the full Board of Directors, including directors who are parties to said proceeding, shall designate a special legal counsel who shall make said determinations on behalf of SPP.
- (f) Any reasonable expenses, as shall be determined above, that have been incurred by a director, Regional Entity Trustee, officer, agent, employee, or other representative who has been made a party to a proceeding as defined herein, may be paid or reimbursed in advance upon a majority vote of a quorum of the full Board of Directors, including those who may be a party to the same proceeding. However, such director, Regional Entity Trustee, officer, agent, employee, or other representative shall have provided SPP with (i) a written affirmation under oath that the incumbent, in good faith, believes the

conditions of indemnification herein have been met; and (ii) a written undertaking that the incumbent shall repay any amounts advanced, with interest accumulated at a reasonable rate, if it is ultimately determined that such conditions are not met.

3.15.4 Limitations

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

3.16 Compliance with Membership Requirements

Compliance monitoring of Members and Staff shall be performed to ensure compliance with all requirements of Membership. Certain SPP compliance monitoring and enforcement functions, as detailed in Section 9.0, shall be performed in concert with related ERO programs, and will be overseen by the Regional Entity Trustees. Other monitoring functions shall be provided by appropriate SPP staff under the oversight of the Oversight Committee and the Board of Directors. Compliance monitoring shall be an after-the-fact investigative and assessment function.

Monitoring functions shall include but are not limited to:

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

Issued by: L. Patrick Bourne, Director – Regulatory Policy

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3.17 Market Monitoring

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

The market monitoring unit shall report to the Board of Directors. Any public reports submitted shall be provided to the Board of Directors and concurrently to 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) Recommend 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 substantive contracts and debt instruments;
- (e) Select and review the performance of SPP Officers, who shall serve at the pleasure of the Board of Directors;
- (f) Approve policies by which positions, duties, qualifications, salaries, benefits and other necessary matters pertaining to the SPP Officers are determined;
- (g) Review, approve, disapprove or recommend revision to the actions of any Organizational Group;
- (h) Act on appeals pursuant to Section 3.10;

- (i) Approve and implement Regional Criteria for enforcement under the terms and conditions of the SPP Membership Agreement;
- (j) Provide input with the Members Committee to the Regional Entity Trustees, on SPP Regional Reliability Standards presented by the MOPC to the Trustees or otherwise developed under the auspices of the Trustees for submission to the ERO for its approval;
- (k) Approve or revise the operating and capital budgets and any additional expenditures;
- (l) Convene a meeting of Members at least annually;
- (m) Approve amendments to these Bylaws as permitted by these Bylaws;
- (n) Approve amendments to the Membership Agreement as permitted by the Membership Agreement;
- (o) Approve Regional Criteria pertaining to planning and operating standards and policies and penalties for non-compliance with such Criteria; and
- (p) Authorize filings with regulatory bodies.

4.2 Composition and Qualifications

4.2.1 Composition

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

4.2.2 Qualifications

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

4.2.3 Conflicts of Interest

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

4.3 Term and Election

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

- (a) At least 90 calendar days prior to the meeting of Members when election of new directors is required, the Corporate Governance Committee shall commence the process to nominate persons equal in number to the directors to be elected;
- (b) At least 45 calendar days prior to the meeting of Members, the Corporate Governance Committee shall determine the persons it nominates for election as directors, specifying the nominee for any vacancy to be filled. The Corporate Secretary shall prepare the ballot accordingly and shall deliver same to Members at least 30 calendar days prior to the meeting of Members;
- (c) For purposes of electing or removing directors only, each group of Members with Affiliate Relationships shall be considered a single Member;
- (d) Any additional nominee(s) may be added to the ballot if a petition is received by the Corporate Secretary at least 15 calendar days prior to the meeting of Members and evidencing support of at least 20 percent of the existing Membership; and

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

4.4 Resignation and Removal of Directors

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

4.5 Vacancies

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

4.6 Functioning of the Board of Directors

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

4.6.1 Meetings and Notice of Meetings

The Board of Directors shall meet at least three times per calendar year and additionally upon the call of the Chair or upon concurrence of at least four directors. At least fifteen days' written notice shall be given by the President to each director, the Members Committee, and the Regional State Committee of the date, time, place and purpose of a meeting of the Board of Directors, unless such notice is waived by the Board of Directors. Telephone conference meetings may be called as appropriate by the Chair with at least one-day prior notice. Board of Directors' meetings shall include the Members Committee, a representative from the Regional Entity Trustees, and a representative from the Regional State Committee (as defined in Section 7.2) for all meetings except when in executive

session; provided however, the failure of representatives of the Members Committee and/or of the Regional Entity Trustees and/or of the Regional State Committee to attend, in whole or in part, shall not prevent the Board of Directors from convening and conducting business, and taking binding votes. The Chair shall grant any Member's request to address the Board of Directors.

4.6.2 Chair and Vice Chair; Election and Terms

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

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

4.6.3 Quorum and Voting

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

4.6.4 Compensation of Directors

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

4.6.5 Executive Session

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

5.0 COMMITTEES ADVISING THE BOARD OF DIRECTORS

5.1 Members Committee

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

- (a) Provide individual and collective input to the Board of Directors, including but not limited to a straw vote from the Members Committee representatives as an indication of the level of consensus among Members, on all actions pending before the Board of Directors; and
- (b) Serve on committees reporting to the Board of Directors as appointed by the Board of Directors.
- (c) Provide input with the Board of Directors to the Regional Entity Trustees on SPP Regional Reliability Standards presented by the MOPC to the Trustees or otherwise developed under the auspices of the Trustees for submission to the ERO for its approval.

5.1.1 Composition and Qualifications

5.1.1.1 Composition

Provided that Membership is sufficient to accommodate these provisions, the Members Committee shall consist of up to 19 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; two representatives shall be state/federal power agencies Members; 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.

5.1.1.2 Qualifications

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

5.1.2 Term and Election

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

- (a) At least 90 calendar days prior to the meeting of Members at which election of new representatives is required, the Corporate Governance Committee shall nominate persons equal in number to the representatives to be elected;
- (b) At least 30 calendar days prior to the meeting of Members, the Corporate Governance Committee shall determine the persons it nominates for election as representatives, specifying the nominee for any vacancy to be filled. The Corporate Secretary shall prepare the ballot accordingly, leaving space for additional names, and shall deliver same to Members at least two weeks prior to the meeting of Members;
- (c) For purposes of electing and removing representatives only, each group of Members with Affiliate Relationships shall be considered a single vote;
- (d) At the meeting of Members, any additional nominee or nominees may be added to the ballot if a motion is made and seconded to add such nominee or nominees; and
- (e) The required number of representatives shall be elected by written ballot. A Member shall be entitled to cast a number of votes equal to the number of representatives to be elected. A Member may not cumulate votes. The candidates in each sector receiving the greatest number of votes will fill vacancies.

5.1.3 Resignation and Removal of Members Committee Representatives

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

5.1.4 Vacancies

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

5.1.5 Meetings

The Members Committee shall meet only with the Board of Directors.

6.0 COMMITTEES REPORTING TO THE BOARD OF DIRECTORS

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

6.1 Markets and Operations Policy Committee

Each SPP Member shall appoint a representative to the Markets and Operations Policy Committee (MOPC). Each representative designated shall be an officer or employee of

the Member. The Board of Directors will appoint the Chair and Vice Chair of the MOPC. Each member of the MOPC may continue to be a member thereof until the appropriate Member appoints a successor.

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

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 with ERO Policies and Standards and their applicability to SPP, its Members, and Registered Entities in the SPP footprint;
- (c) Present any Regional Reliability Standards for ERO adoption in accordance with SPP's Standards Development Process.
- (d) Coordinate and oversee the work of any Standards Development Team(s).
- (e) Report to the Trustees on all standards recommended by working groups reporting to the MOPC.
- (f) Make appropriate recommendations to the Board of Directors and Regional Entity Trustees regarding SPP's compliance with ERO Policies and Standards;
- (g) Review Member operating plans and problems that are pertinent to SPP planning and operation;
- (h) Maintain an annual series of load flow and short circuit models and associated stability data bases representing the current and planned electric network of the region, and maintain a data base of all transmission, generation, and supporting facilities within SPP;
- (i) Review and assess the current and planned electric system of the region;
- (j) Make use of studies available from other regions;
- (k) Recommend to the Board of Directors criteria for planning, operations, and to assist in the efficiency and vitality of the wholesale electricity market;

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

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. 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) Complete a self-assessment annually to determine how effectively the SPC is meeting its responsibilities; and
- (h) Perform such other functions as the Board of Directors may delegate or direct.

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. 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;
- (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) Recommend policies by which positions, duties, qualifications, salaries, benefits and other necessary matters pertaining to the SPP Officers are determined;

- (g) Other duties and responsibilities detailed in the Human Resources Committee charter; and
- (h) 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. Each representative of the OC shall continue to be a representative thereof until the Board of Directors appoints his/her successor. Where a vacancy occurs, the Board of Directors will fill the vacancy.

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

The responsibilities of the Oversight Committee shall include:

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

6.5 Finance Committee

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

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

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

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

- (a) The quality and integrity of SPP's financial statements;
- (b) SPP's compliance with financially-based legal and regulatory requirements;
- (c) The independent auditor's qualifications, selection, and independence;
- (d) The performance of SPP's internal audit function and independent auditors as relates to SAS70 Audit requirements;
- (e) The development and implementation of annual and long-term operating and capital budgets;
- (f) The management of risk;
- (g) Develop policies for management of debt financing and for long-term contracting;
- (h) Monitoring methodology for cost recovery to ensure continuing equity for Members;

- (i) Other duties and responsibilities detailed in the Finance Committee charter; and
- (j) Perform such other functions as the Board of Directors may delegate or direct.

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; one representative shall be the Chairman of the Board, unless his/her position is under consideration, in which case the Vice Chairman of the Board; one representative shall be representative of and selected by investor owned utilities Members; one representative shall be representative of and selected by co-operatives Members; one representative shall be representative of and selected by municipals Members; one representative shall be representative of and selected by independent power producers/marketers Members; one representative shall be representative of and selected by state/federal power agencies Members; one representative shall be representative of and selected by alternative power/public interest Members; and one representative shall be representative of and selected by large/small retail Members.

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) In the event of a vacancy or the replacement of an existing Members Committee representative, provide candidates for consideration to the Membership for election to the Members Committee;
- (e) Fill vacancies for Organizational Groups in accordance with these Bylaws;
- (f) Monitor the composition of the Board of Directors to ensure balance, independence, maintenance of qualifications under any applicable laws, avoidance of conflict of interest, and periodic review of the criteria for independence set out in the Bylaws and appropriate regulatory bodies, recommending changes, as appropriate;
- (g) Recommend to the Board of Directors the appointment of Organizational Group representatives and leadership except for the Corporate Governance Committee, whose representatives are elected by members in each category; the Members Committee, whose representatives are elected by the Membership; and the Market and Operations Policy Committee, whose representatives are appointed by the Members;
- (h) Develop criteria governing the overall composition of the Board of Directors for recommendation to the Membership;
- (i) Develop criteria governing the overall composition of the Regional Entity Trustees for recommendation to the Membership;
- (j) Coordinate an annual review and assessment of the effectiveness of the Board of Directors, its structure, and process;
- (k) Coordinate an annual review and assessment of the effectiveness of the Regional Entity Trustees, its structure, and process;
- (l) Review annually the structure of the Organizational Groups, and together with the Organizational Group Chairs, the charters of each Organizational Group, and recommend changes to the Board of Directors, as appropriate;
- (m) Review the self-assessments of the Organizational Groups to assure that they are being done on a consistent basis;

- (n) Develop recommendations for the Board of Directors regarding a Chair/Vice Chair succession policy;
- (o) Recommend compensation levels for the Board of Directors and Regional Entity Trustees to the Membership;
- (p) Complete a self-assessment annually to determine how effectively the CGC is meeting its responsibilities; and
- (q) Perform such other functions as the Board of Directors may delegate or direct.

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.

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Transmission and Regulatory Policy

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7.3 Retention of Other Regulatory Jurisdiction

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

8.0 FISCAL ADMINISTRATION

The fiscal year shall coincide with the calendar year.

8.1 Operating Budget

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

8.2 Annual Membership Fee

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

8.3 ERO and Regional Entity Costs

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

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

8.4 Monthly Assessments

SPP will assess certain Members described herein on a monthly basis all costs not otherwise collected. Costs recovered under the assessment will include but are not limited to all operating costs, financing costs, debt repayment, and capital expenditures associated with the performance of SPP's functions as assigned by the Board of Directors. Significant among these are costs associated with regional reliability coordination and the provision of transmission service. SPP shall determine the assessment rate based on its annual budgeted net expenditures divided by estimated annual Schedule 1 billing units for service sold under SPP's OATT and Member load eligible to take, but not taking, Network Integration Transmission Service under SPP's OATT. The Board of Directors may review the assumptions used in determining the assessment rate at any time and may adjust the assessment rate appropriately should conditions warrant. Each load-serving Member shall then be assessed the monthly assessment rate applied to its load eligible to take Network Integration Transmission Service under the SPP OATT. Further, each load-serving Member shall receive a credit against the monthly assessment for that month's Schedule 1 fees paid for Network Integration Transmission Service and for Point-to-Point Transmission Service that had a delivery point within the SPP region, under the SPP OATT.

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Effective: May 18, 2007

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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;

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- 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.

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Transmission and Regulatory Policy

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8.7.2 Computation of a Member's Existing Obligations

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

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

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

N = Total number of Members

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

C = Total of factor B for all Members

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

9.0 REGIONAL ENTITY FUNCTION

9.1 Regional Entity

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

9.2 Regional Entity Staff

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

9.3 RE General Manager

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

9.4 Duties of Regional Entity Staff

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

- (a) Investigation of all reports or discoveries of non-compliance with approved ERO policies and standards;
- (b) Obtaining all information needed to investigate all facets of possible noncompliance with ERO policies and standards;
- (c) Performance of in-depth reviews of operations in conjunction with the Compliance Monitoring and Enforcement Program (CMEP);
- (d) Comprehensive audits when recurring issues covering a broad spectrum of violations of ERO policies and standards are determined and documented;
- (e) Recommendation of financial penalties and/or sanctions for non-compliance with ERO policies and standards pursuant to ERO guidelines;
- (f) Assist the Regional Entity Trustees with third party audits to confirm that SPP is conforming to ERO policies and standards;
- (g) Utilization of dispute resolution procedures as necessary to resolve conflicts or appeals; and
- (h) Coordination of policy modifications to clearly define ERO requirements, and penalties in order to objectively monitor compliance.

9.5 Regional Reliability Standards Development Process

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

9.6 Compliance Monitoring and Enforcement Program

The Regional Entity Trustees will oversee SPP's Compliance Monitoring and Enforcement Program (CMEP). The CMEP will enforce compliance according to ERO reliability standards

for Registered Entities. Regional Entity staff shall oversee compliance auditing of registered entities, and will report audit results to the Regional Entity Trustees. All audits of SPP's compliance with ERO reliability standards will be performed by external third party auditors as coordinated and managed by the Regional Entity Trustees.

9.7 Regional Entity Trustees

9.7.1 Functions and Duties of the Regional Entity Trustees

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

- (a) 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 Monitoring and 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 invest in accordance with the SPP Standards of Conduct. Participation in a pension plan of a Member, customer, or Registered Entity in the SPP footprint shall not be deemed to be a direct financial benefit if the Member's, customer's, or Registered Entity's financial performance has no material effect on such pension plan.

9.7.3 Term and Election

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

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

- (b) At least 45 calendar days prior to the meeting of Members, the Corporate Governance Committee shall determine the person it nominates for election as a trustee, specifying the nominee for any vacancy to be filled. The Corporate Secretary shall prepare the ballot accordingly, leaving space for additional names, and shall deliver same to Members at least 30 calendar days prior to the meeting of Members;
- (c) For purposes of electing or removing trustees only, Members with Affiliate Relationships shall be considered a single Member;
- (d) Any additional nominee(s) may be added to the ballot if a petition is received by the Corporate Secretary at least 15 calendar days prior to the meeting of Members and evidencing support of at least 20 percent of the existing Membership; and
- (e) 1) If only one candidate is nominated for a seat, each Member shall be entitled to cast a vote for or against the nominee. The votes will be calculated in accordance with Section 3.9 *Voting* of these Bylaws, which requires a super majority. In the event a trustees position is not filled the Corporate Governance Committee will determine a new nominee for recommendation for election by the Membership at a special meeting of Members to be held but no later than the next regular Board of Directors/Members Committee meeting;

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

9.7.4 Resignation and Removal of Regional Entity Trustees

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

9.7.5 Vacancies

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

9.7.6 Meetings and Notice of Meetings

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

9.7.7 Chair

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

9.7.8 Quorum and Voting

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

9.7.9 Compensation of Regional Entity Trustees

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

9.7.10 Executive Session

Executive sessions (open only to Trustees and parties invited by the chair of the Regional Entity Trustees) shall be held as necessary upon agreement of the Regional Entity Trustees to safeguard confidentiality of sensitive information regarding employee, financial or legal matters, or confidential information related to compliance matters.

10.0 AMENDMENTS TO THESE BYLAWS, THE ARTICLES OF INCORPORATION, AND MEMBERSHIP AGREEMENT

Except for modifications to Section 4.0 BOARD OF DIRECTORS, Section 5.0 COMMITTEES ADVISING THE BOARD OF DIRECTORS, Section 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 SPP Bylaws; provided, that these Bylaws do not relieve any Member from any financial obligation incurred thereunder. Binding obligations entered into by authority of Officers or the Board of Directors, or the Regional Entity Trustees under these Bylaws are hereby assumed and confirmed as obligations of SPP under these Bylaws.

ATTACHMENT B

**REDLINED VERSION OF PROPOSED AMENDED BYLAWS OF
SOUTHWEST POWER POOL, INC.**

Southwest Power Pool, Inc.
Bylaws
Original Volume No. 4

Southwest Power Pool, Inc.

B Y L A W S

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

Effective: May 1, 2004

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Southwest Power Pool Bylaws
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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 over control of a majority of their generation facilities ~~over~~ to another Member;
- (d) have, through an agency agreement, turned over 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 Criteria

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

1.5a Existing Obligations

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

1.5b ERO

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

1.6 Member

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

1.7 Membership

The collective Members of SPP.

1.8 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.

1.9 NERC

The North American Electric Reliability Corporation or successor organizations.

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.

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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 SPP Compliance Monitoring and Enforcement Program

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

1.20 Staff

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

1.21 Standards Development Team

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

1.22 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.

1.23 Transmission Using Member

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

2.0 MEMBERSHIP

2.1 Qualifications

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

2.2 Applications

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

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

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

2.3 Member Responsibilities and Obligations

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

2.4 Termination, Removal and Reinstatement

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

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

2.5 Participation in Regional Entity Activities

Participation in SPP Regional Entity activities is open to the public and does not require membership in SPP, Inc. nor any of the obligations of membership, including SPP, Inc.'s annual fee.

3.0 ORGANIZATIONAL ADMINISTRATION

3.1 Structure

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

3.2 Attendance and Proxy

Except for the Market and Operations Policy Committee (MOPC), if a representative does not attend three consecutive Organizational Group meetings, he/she will be considered to have resigned from the group, absent express waiver of this requirement by the chair of the group. Any appeal of removal from the roster of an Organizational Group should be directed to the Corporate Secretary. Any resulting vacancy will be filled in accordance with Section 3.1 Structure of these Bylaws.

If a ~~Member's designated~~ representative is unable to attend an Organizational Group meeting, ~~it~~ he/she may in writing appoint a substitute representative who shall have such rights to participate and vote as the ~~Member representative~~ specifies. The substitute representative may be another member of the Organizational Group or another person who has the authority to act on behalf of the representative. A representative may not grant a proxy for more than three consecutive meetings without the express consent of the chair of the Organizational Group. If a representative exceeds the proxy limit, he/she will be considered to have resigned from the Organizational Group and the vacancy will be filled in accordance with these Bylaws; except, in the case of any full representation Organizational Group, in which case a new representative will be solicited from the member company.

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

3.3 Leadership

3.3.1 Appointment

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

A Vice Chair shall act for a Chair:

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

3.3.2 Terms

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

3.3.3 Vacancies

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

3.4 Executive Authority

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

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

3.5 Meetings

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

3.6 Order of Business

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

3.7 Expenses

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

3.8 Quorum

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

3.9 Voting

3.9.1 Markets and Operations Policy Committee and Membership

Upon joining, Members shall be assigned to one of two Membership sectors for the sole purpose of voting on matters before the Markets and Operations Policy Committee or the Membership: Transmission Owning Members, or Transmission Using Members. Each sector votes separately with the result for that sector being a percent of approving votes to the total number of Members voting. An action is approved if the average of these two percentages is at

least sixty-six percent. If no Members are present within a sector, the single present sector-voting ratio will determine approval. Unless otherwise stated in these Bylaws, the Markets and Operations Policy Committee or the Membership may determine to vote on an issue by email. The outcome of any email vote must be recorded in the minutes for the group.

3.9.2 Organizational Groups and Task Forces

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

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

~~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 a proxy and voting shall be required for all other Organizational Groups and task forces.~~

3.10 Appeal

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

3.11 Staff Independence and Support

SPP Staff members will be required to execute the SPP Standards of Conduct upon employment and annually thereafter. The Standards of Conduct outline the independence requirements for employees of SPP. The President shall assign to each Organizational Group an SPP Staff member, who shall attend all meetings and act as secretary to the Organizational Group and any ad hoc task forces of that group. Staff secretaries of all Organizational Groups and task forces shall be non-voting. Minutes shall be kept of pertinent discussion, business transacted, decisions reached, and actions taken at each meeting of SPP Organizational Groups or task forces by the secretary. Minutes shall be published within seven calendar days following a meeting but in any event in advance of the next meeting, and considered ~~published~~ final 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 member-specific proprietary information ~~in databases containing member specific technical data considered proprietary in nature~~ will be governed by the appropriate SPP governing document (the OATT, the Membership Agreement, the Bylaws, the SPP and related Criteria) and/or a properly executed confidentiality agreement ~~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. Standard Publications~~ publications and standard forms of non-proprietary information 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 of with an appropriate firm or~~ 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 Monitoring and Enforcement Program.

3.13.1 Instigation

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

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

3.13.2 Dispute Resolution ~~Panel~~Process

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

In the event SPP is not a party to the dispute, the parties to the dispute may engage a firm specializing in alternative dispute resolution to administer the dispute resolution process. The firm will be mutually determined by the parties and the process will be administered in accordance with these Bylaws and such other SPP governing documents as may be relevant to the proceeding. In the event the parties cannot mutually agree to the engagement of a firm, and do not determine some other mutually acceptable procedure, The the President of SPP 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~~The candidates shall ~~contain at least seven~~be persons meeting the requirements for directors. The President shall then call a telephone conference meeting- ~~During during this meeting, which~~ each party shall alternate striking names from the list

until those remaining constitute the dispute resolution panel. This panel shall select a chair from its membership. Should any candidate decline to serve or resign from a current appointment for any reason, the candidate whose name was last struck from the list shall ~~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 timely 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. Final determinations may be subject to corporate or regulatory approvals, which the parties should disclose at the outset of the process. The Staff secretary shall maintain minutes of the panel meetings, which shall become part of SPP's historical records.

3.13.4 Expenses

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

3.13.5 Liability

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

3.14 Meeting of Members

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

3.15 Liability, Insurance and Indemnification

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

3.15.1 Waiver of Liability

- (a) SPP shall not be liable to any Member for damages arising out of or related to any directive, order, procedure, action, or requirement of SPP, under the then effective Bylaws and Criteria.
- (b) No Member shall be liable to any other Member or to SPP for damages arising out of or related to any action by the Member pursuant to any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria.
- (c) Each Member waives any future claim it might have against SPP or other Members arising out of or resulting from any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria.
- (d) SPP waives any future claim it might have against any Member arising out of or resulting from any actions taken by a Member pursuant to any directive, order, procedure, action or requirement of SPP, under the then effective Bylaws and Criteria.

3.15.2 Insurance

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

3.15.3 Indemnification of Directors, Officers, Agents and Employees

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

- (a) Such director, Regional Entity Trustee, officer, agent, employee, or other representative must have acted in good faith and, in the case of criminal proceedings, must have had no reasonable cause to believe that conduct was unlawful; provided, that SPP shall not provide indemnification of any conduct judged unlawful in criminal proceedings. When acting in official capacity, the incumbent must have reasonably believed that conduct was in the best interests of SPP, and, when acting in any other capacity, must have reasonably believed that conduct was at least not opposed to the best interests of SPP.
- (b) If the proceeding was brought by or on behalf of SPP, however, indemnification shall be made only with respect to reasonable expenses referenced above. No indemnification of any kind shall be made in any such proceeding in which the director, Regional Entity Trustee, officer, agent, employee, or other representative shall have been adjudged liable to SPP.

- (c) In no event, however, will indemnification be made with respect to any described proceeding which charges or alleges improper personal benefit to a director, Regional Entity Trustee, officer, agent, employee, or other representative and where liability is imposed on the basis of the receipt of such improper personal benefit.
- (d) In order for any director, Regional Entity Trustee, agent, employee, or other representative to receive indemnification under this provision, the person shall vigorously assert and pursue any and all defenses to those claims, charges, or proceedings covered herein which are reasonable and legally available and shall fully cooperate with SPP or any attorneys involved in the defense of any such claim, charges, or proceedings on behalf of SPP.
- (e) No indemnification shall be made in any specific instance until it has been determined by SPP that indemnification is permissible in that specific case, under the standards set forth herein and that any expenses claimed or to be incurred are reasonable. These two (2) determinations shall be made by a majority vote of at least a quorum of the Board of Directors consisting solely of directors who were not parties to the proceeding for which indemnification or reimbursement of expenses is claimed. If such a quorum cannot be obtained, a majority of at least a quorum of the full Board of Directors, including directors who are parties to said proceeding, shall designate a special legal counsel who shall make said determinations on behalf of SPP.
- (f) Any reasonable expenses, as shall be determined above, that have been incurred by a director, Regional Entity Trustee, officer, agent, employee, or other representative who has been made a party to a proceeding as defined herein, may be paid or reimbursed in advance upon a majority vote of a quorum of the full Board of Directors, including those who may be a party to the same proceeding. However, such director, Regional Entity Trustee, officer, agent, employee, or other representative shall have provided SPP with (i) a written affirmation under oath that the incumbent, in good faith, believes the

conditions of indemnification herein have been met; and (ii) a written undertaking that the incumbent shall repay any amounts advanced, with interest accumulated at a reasonable rate, if it is ultimately determined that such conditions are not met.

3.15.4 Limitations

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

3.16 Compliance with Membership Requirements

Compliance monitoring of Members and Staff shall be performed to ensure compliance with all requirements of Membership. Certain SPP compliance monitoring and enforcement functions, as detailed in Section 9.0, shall be performed in concert with related ERO programs, and will be overseen by the Regional Entity Trustees. Other monitoring functions shall be provided by appropriate SPP staff under the oversight of the Oversight Committee and the Board of Directors. Compliance monitoring shall be an after-the-fact investigative and assessment function.

Monitoring functions shall include but are not limited to:

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

Issued by: L. Patrick Bourne, Director – Regulatory Policy

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3.17 Market Monitoring

SPP shall establish and provide appropriate support to a market monitoring function in accordance with its OATT~~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 Market Participant as defined in the SPP OATT, or group of Members Market Participants, shall not have undue influence or impact.

The market monitoring ~~entity-unit~~ shall ~~be selected by and~~ report to the Board of Directors. Any public reports submitted shall be ~~concurrently~~ provided to the Board of Directors and concurrently to 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~~ Recommend 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~~ substantive contracts and debt instruments;
- (e) Select and review the performance of SPP Officers, who shall serve at the pleasure of the Board of Directors;
- (f) ~~Determine~~ Approve policies by which positions, duties, qualifications, salaries, benefits and other necessary matters pertaining to the SPP ~~Staff~~ Officers are determined;
- (g) Review, approve, disapprove or recommend revision to the actions of any Organizational Group;
- (h) Act on appeals pursuant to Section 3.10;

- (i) Approve and implement Regional Criteria for enforcement under the terms and conditions of the SPP Membership Agreement~~;~~;
- (j) Provide input with the Members Committee to the Regional Entity Trustees, on SPP Regional Reliability Standards presented by the MOPC to the Trustees or otherwise developed under the auspices of the Trustees for submission to the ERO for its approval~~;~~;
- (k) Approve or revise the operating and capital budgets and any additional expenditures;
- (l) Convene a meeting of Members at least annually;
- (m) Approve amendments to these Bylaws as permitted by these Bylaws;
- (n) Approve amendments to the Membership Agreement as permitted by the Membership Agreement;
- (o) Approve Regional Criteria pertaining to planning and operating standards and policies and penalties for non-compliance with such Criteria; and
- (p) Authorize filings with regulatory bodies.

4.2 Composition and Qualifications

4.2.1 Composition

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

4.2.2 Qualifications

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

4.2.3 Conflicts of Interest

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

4.3 Term and Election

Except for the President, a director shall be elected at the meeting of Members to a three-year term commencing upon election and continuing until his/her duly elected successor takes office. ~~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~~90 calendar days prior to the meeting of Members when election of new directors is required, the Corporate Governance Committee shall commence the process to nominate persons equal in number to the directors to be elected;
- (b) At least ~~one month~~45 calendar days prior to the meeting of Members, the Corporate Governance Committee shall ~~notify the President in writing of~~determine the persons it nominates for election as directors, specifying the nominee for any vacancy to be filled. The ~~President-Corporate Secretary~~ shall prepare the ballot accordingly, ~~leaving space for additional names,~~ and shall deliver same to Members at least ~~two weeks~~30 calendar days prior to the meeting of Members;
- (c) For purposes of electing or removing directors only, each group of Members with Affiliate Relationships shall be considered a single Member;
- (d) ~~At the meeting of Members, any~~ Any additional nominee(s) ~~or nominees~~ may be added to the ballot if a ~~motion is made and seconded by Members~~petition is received by the Corporate Secretary at least 15 calendar days prior to the meeting of Members and evidencing support of at least 20 percent of the existing Membership; and

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

4.4 Resignation and Removal of Directors

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

4.5 Vacancies

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

4.6 Functioning of the Board of Directors

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

4.6.1 Meetings and Notice of Meetings

The Board of Directors shall meet at least three times per calendar year and additionally upon the call of the Chair or upon concurrence of at least four directors. At least fifteen days' written notice shall be given by the President to each director, the Members Committee, and the Regional State Committee of the date, time, place and purpose of a meeting of the Board of Directors, unless such notice is waived by the Board of Directors. Telephone conference meetings may be called as appropriate by the Chair with at least one-day prior notice. Board of Directors' meetings shall include the Members Committee, ~~and~~ a representative from the Regional Entity Trustees, and a representative from the Regional State Committee (as defined in Section 7.2) for all meetings except when in executive

session; provided however, the failure of representatives of the Members Committee and/or of the Regional Entity Trustees and/or of the Regional State Committee to attend, in whole or in part, shall not prevent the Board of Directors from convening and conducting business, and taking binding votes. The Chair shall grant any Member's request to address the Board of Directors.

4.6.2 Chair and Vice Chair; Election and Terms

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

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

4.6.3 Quorum and Voting

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

4.6.4 Compensation of Directors

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

4.6.5 Executive Session

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

5.0 COMMITTEES ADVISING THE BOARD OF DIRECTORS

5.1 Members Committee

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

- (a) Provide individual and collective input to the Board of Directors, including but not limited to a straw vote from the Members Committee representatives as an indication of the level of consensus among Members, on all actions pending before the Board of Directors; and
- (b) Serve on committees reporting to the Board of Directors as appointed by the Board of Directors.
- (c) Provide input with the Board of Directors to the Regional Entity Trustees on SPP Regional Reliability Standards presented by the MOPC to the Trustees or otherwise developed under the auspices of the Trustees for submission to the ERO for its approval.

5.1.1 Composition and Qualifications

5.1.1.1 Composition

Provided that Membership is sufficient to accommodate these provisions, the Members Committee shall consist of up to 19 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; two representatives shall be state/federal power agencies Members; 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.

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~~90 calendar days prior to the meeting of Members at which election of new representatives is required, the Corporate Governance Committee shall nominate persons equal in number to the representatives to be elected;
- (b) At least ~~one month~~30 calendar days prior to the meeting of Members, the Corporate Governance Committee shall ~~notify the President in writing~~of determine the persons it nominates for election as representatives, specifying the nominee for any vacancy to be filled. The ~~President~~Corporate Secretary shall prepare the ballot accordingly, leaving space for additional names, and shall deliver same to Members at least two weeks prior to the meeting of Members;
- (c) For purposes of electing and removing representatives only, each group of Members with Affiliate Relationships shall be considered a single vote;
- (d) At the meeting of Members, any additional nominee or nominees may be added to the ballot if a motion is made and seconded to add such nominee or nominees; and
- (e) ~~At the meeting of Members, the~~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 with ERO Policies and Standards and their applicability to SPP, its Members, and Registered Entities in the SPP footprint;
- (c) Present any Regional Reliability Standards for ERO adoption in accordance with SPP's Standards Development Process.
- (d) Coordinate and oversee the work of any Standards Development Team(s).
- (e) Report to the Trustees on all standards recommended by working groups reporting to the MOPC.
- (f) Make appropriate recommendations to the Board of Directors and Regional Entity Trustees regarding SPP's compliance with ERO Policies and Standards;
- (g) Review Member operating plans and problems that are pertinent to SPP planning and operation;
- (h) Maintain an annual series of load flow and short circuit models and associated stability data bases representing the current and planned electric network of the region, and maintain a data base of all transmission, generation, and supporting facilities within SPP;
- (i) Review and assess the current and planned electric system of the region;
- (j) Make use of studies available from other regions;
- (k) Recommend to the Board of Directors criteria for planning, operations, and to assist in the efficiency and vitality of the wholesale electricity market;

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

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;~~
- ~~(h) Review the self-assessments of the Organizational Groups to assure that they are being done on a consistent basis;~~
- (hg) Complete a self-assessment annually to determine how effectively the SPC is meeting its responsibilities; and
- (jh) 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) Recommend policies by which positions, duties, qualifications, salaries, benefits and other necessary matters pertaining to the SPP Officers are determined;

(fg) Other duties and responsibilities detailed in the Human Resources Committee charter; and

(gh) 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 and NERC policies other than that assigned to the Regional Entity Trustees under these Bylaws;
- (b) Independently review activities of the Staff;
- (c) Hear and rule on appeals from Members regarding penalty assessment or fine distribution prior to dispute resolution proceedings;
- (d) Recommend Regional Criteria changes necessary for enforcement of mandatory compliance and in response to unclear enforcement provisions of Regional Criteria;
- (e) Grant specific additional authority to the Staff responsible for the oversight monitoring function when needed to perform challenging investigations;
- (f) Oversee the Internal Audit function and receive regular reports, except for that work associated with SAS70 Audit requirements and other financial matters;
- (fg) Complete a self-assessment annually to determine how effectively the OC is meeting its responsibilities; and
- (gh) 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 as relates to SAS70 Audit requirements;
- (e) The development and implementation of annual and long-term operating and capital budgets;
- (f) The management of risk;
- (g) Develop policies for management of debt financing and for long-term contracting;
- (h) Monitoring methodology for cost recovery to ensure continuing equity for Members;

- (i) Other duties and responsibilities detailed in the Finance Committee charter; and
- (j) Perform such other functions as the Board of Directors may delegate or direct.

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; one representative shall be the Chairman of the Board, unless his/her position is under consideration, in which case the Vice Chairman of the Board; one representative shall be representative of and selected by investor owned utilities Members; one representative shall be representative of and selected by co-operatives Members; one representative shall be representative of and selected by municipals Members; one representative shall be representative of and selected by independent power producers/marketers Members; one representative shall be representative of and selected by state/federal power agencies Members; one representative shall be representative of and selected by alternative power/public interest Members; and one representative shall be representative of and selected by large/small retail Members.

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) In the event of a vacancy or the replacement of an existing Members Committee representative, provide candidates for consideration to the Membership for election to the Members Committee;
- (e) Fill vacancies for Organizational Groups in accordance with these Bylaws;
- (~~df~~) 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;
- (~~eg~~) Recommend to the Board of Directors the appointment of Organizational Group representatives and leadership except for the Corporate Governance Committee, whose representatives are elected by members in each category; the Members Committee, whose representatives are elected by the Members~~hip;~~; and the Market and Operations Policy Committee, whose representatives are appointed by the Members;
- (~~fh~~) Develop criteria governing the overall composition of the Board of Directors for recommendation to the ~~Board of Directors~~Membership;
- (~~gi~~) Develop criteria governing the overall composition of the Regional Entity Trustees for recommendation to the Membership;
- (~~hj~~) Coordinate an annual review and assessment of the effectiveness of the Board of Directors, its structure, and process;
- (~~ik~~) Coordinate an annual review and assessment of the effectiveness of the Regional Entity Trustees, its structure, and process;
- (l) Review annually the structure of the Organizational Groups, and together with the Organizational Group Chairs, the charters of each Organizational Group, and recommend changes to the Board of Directors, as appropriate;
- (m) Review the self-assessments of the Organizational Groups to assure that they are being done on a consistent basis;

- (jn) Develop recommendations for the Board of Directors regarding a ~~director~~ Chair/Vice Chair succession policy;
- (ko) Recommend compensation levels for the Board of Directors and Regional Entity Trustees to the Membership-;
- (lp) Complete a self-assessment annually to determine how effectively the CGC is meeting its responsibilities; and
- (mq) 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.

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.

7.3 Retention of Other Regulatory Jurisdiction

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

8.0 FISCAL ADMINISTRATION

The fiscal year shall coincide with the calendar year.

8.1 Operating Budget

SPP Staff and the Finance Committee will prepare an annual budget of expenditures for the next fiscal year and an estimate for an additional two years. The proposed budget shall be submitted to the Board of Directors not less than two weeks prior to the meeting at which the budget is to be considered for approval. Except as addressed in Section 9.0 Regional Entity Function, Once-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~~ in accordance with SPP policy as approved by the Board of Directors.

8.2 Annual Membership Fee

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

8.3 ERO and Regional Entity Costs

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

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

8.4 Monthly Assessments

SPP will assess certain Members described herein on a monthly basis all costs not otherwise collected. Costs recovered under the assessment will include but are not limited to all operating costs, financing costs, debt repayment, and capital expenditures associated with the performance of SPP's functions as assigned by the Board of Directors. Significant among these are costs associated with regional reliability coordination and the provision of transmission service. SPP shall determine the assessment rate based on its annual budgeted net expenditures divided by estimated annual Schedule 1 billing units for service sold under SPP's OATT and Member load eligible to take, but not taking, Network Integration Transmission Service under SPP's OATT. The Board of Directors may review the assumptions used in determining the assessment rate at any time and may adjust the assessment rate appropriately should conditions warrant. Each load-serving Member shall then be assessed the monthly assessment rate applied to its load eligible to take Network Integration Transmission Service under the SPP OATT. Further, each load-serving Member shall receive a credit against the monthly assessment for that month's Schedule 1 fees paid for Network Integration Transmission Service and for Point-to-Point Transmission Service that had a delivery point within the SPP region, under the SPP OATT.

Issued by: L. Patrick Bourne, Director – Regulatory Policy

Issued on: November 3, 2008

Effective: May 18, 2007

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER08-1380-000, Letter Order, Issued October 6, 2008.

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;

Issued by: L. Patrick Bourne, Director – Regulatory Policy

Issued on: November 3, 2008

Effective: May 18, 2007

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER08-1380-000, Letter Order, Issued October 6, 2008.

- 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.

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

Effective: August 10, 2005

Issued on: December 12, 2005

Filed to comply with order of the Federal Energy Regulatory Commission, Docket Nos. RT04-1, ER04-48 and ER05-1352, issued October 7, 2005, 113 FERC ¶ 61,014 (2005).

8.7.2 Computation of a Member's Existing Obligations

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

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

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

N = Total number of Members

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

C = Total of factor B for all Members

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

9.0 REGIONAL ENTITY FUNCTION

9.1 Regional Entity

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

9.2 Regional Entity Staff

The Regional Entity Trustees will oversee staffing requirements for the SPP Regional Entity. All SPP Regional Entity ~~compliance enforcement~~ staff shall report through the Executive Director of Compliance Regional Entity (RE) General Manager to the Trustees.

9.3 ~~Executive Director of Compliance~~ RE General Manager

The ~~Executive Director of Compliance~~ RE General Manager shall be ~~elected~~ selected by and report to the SPP Regional Entity Trustees. The President shall ensure that the ~~Executive Director of Compliance~~ RE General Manager has adequate resources, access to information, and the full cooperation of Staff and Organizational Groups for the effective execution of his/her duties.

9.4 Duties of ~~Compliance~~ Regional Entity Staff

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

- (a) Investigation of all reports or discoveries of non-compliance with approved ERO policies and standards;
- (b) Obtaining all information needed to investigate all facets of possible noncompliance with ERO policies and standards;
- (c) Performance of in-depth reviews of operations in conjunction with the Compliance Monitoring and Enforcement Program (CMEP);
- (d) Comprehensive audits when recurring issues covering a broad spectrum of violations of ERO policies and standards are determined and documented;
- (e) Recommendation of financial penalties and/or sanctions for non-compliance with ERO policies and standards pursuant to ERO guidelines;
- (f) Assist the Regional Entity Trustees with third party audits to confirm that SPP is conforming to ERO policies and standards;
- (g) Utilization of dispute resolution procedures as necessary to resolve conflicts or appeals; and
- (h) Coordination of policy modifications to clearly define ERO requirements, and penalties in order to objectively monitor compliance.

9.5 Regional Reliability Standards Development Process

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

9.6 Compliance Monitoring and Enforcement Program

The Regional Entity Trustees will oversee SPP's Compliance Monitoring and Enforcement Program (CMEP). The CMEP will enforce compliance according to ERO reliability standards

for Registered Entities. Regional Entity ~~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 SPP Regional Entity in its management, control, and direction of the general business of the Regional Entity functions. In reaching any decision and in considering the recommendations of an appropriate entity, the Regional Entity Trustees shall abide by the principles in these Bylaws. Its duties shall include, but are not limited to oversight of the following:

- (a) 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 Monitoring and 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~~invest 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 securitiesin accordance with the SPP Standards of Conduct. Participation in a pension plan of a Member, customer, or Registered Entity in the SPP footprint shall not be deemed to be a direct financial benefit if the Member's, customer's, or Registered Entity's financial performance has no material effect on such pension plan.

9.7.3 Term and Election

Regional Entity Trustees shall be elected at the meeting of Members to a three-year term commencing upon election and continuing until his/her duly elected successor takes office. ~~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~~90 calendar days prior to the meeting of Members when election of a new trustee is required, the Corporate Governance Committee shall commence the process to nominate persons for the position to be elected;

- (b) At least ~~one month~~30/45 calendar days prior to the meeting of Members, the Corporate Governance Committee shall ~~notify the President in writing~~ ~~of~~determine the person it nominates for election as a trustee, specifying the nominee for any vacancy to be filled. The ~~President~~Corporate Secretary shall prepare the ballot accordingly, leaving space for additional names, and shall deliver same to Members at least ~~two weeks~~30 calendar days prior to the meeting of Members;
- (c) For purposes of electing or removing trustees only, Members with Affiliate Relationships shall be considered a single Member;
- (d) ~~At the meeting of Members, any~~Any additional nominee(s) may be added to the ballot if a ~~motion is made and seconded by Members~~petition is received by the Corporate Secretary at least 15 calendar days prior to the meeting of Members and evidencing support of at least 20 percent of the existing Membership; and
- (e) ~~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. 1) If only one candidate is nominated for a seat, Each each~~ Member shall be entitled to cast a ~~number of votes equal to the number of trustees to be elected~~vote for or against the nominee. 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)The votes will be calculated in accordance with Section 3.9 Voting of these Bylaws, which requires a super majority. In the event a trustees position is not filled the Corporate Governance Committee will determine a new nominee for recommendation for election by the Membership at a special meeting of Members to be held but no later than the next regular Board of Directors/Members Committee meeting;

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

9.7.4 Resignation and Removal of Regional Entity Trustees

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

9.7.5 Vacancies

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

9.7.6 Meetings and Notice of Meetings

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

9.7.7 Chair

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

9.7.8 Quorum and Voting

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

9.7.9 Compensation of Regional Entity Trustees

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

9.7.10 Executive Session

Executive sessions (open only to Trustees and parties invited by the chair of the Regional Entity Trustees) shall be held as necessary upon agreement of the Regional Entity Trustees to safeguard confidentiality of sensitive information regarding employee, financial or legal matters, or confidential information related to compliance matters.

10.0 AMENDMENTS TO THESE BYLAWS, THE ARTICLES OF INCORPORATION, AND MEMBERSHIP AGREEMENT

Except for modifications to Section 4.0 BOARD OF DIRECTORS, Section 5.0 COMMITTEES ADVISING THE BOARD OF DIRECTORS, Section 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 SPP Bylaws; provided, that these Bylaws do not relieve any Member from any financial obligation incurred thereunder. Binding obligations entered into by authority of Officers or the Board of Directors, or the Regional Entity Trustees under these Bylaws are hereby assumed and confirmed as obligations of SPP under these Bylaws.

ATTACHMENT C

**TABLE LISTING THE AMENDMENTS, BY SECTION,
TO THE BYLAWS OF
SOUTHWEST POWER POOL, INC.**

**SPP Bylaws Revisions
April 2009**

** – indicates Bylaws section amended pertains to Regional Entity functions

Section	Comments
1.1 (c)	Grammar
1.1.(d)	Grammar
2.2	Administrative
3.1	Administrative/clarification
3.2**	In response to member feedback via the annual Chairs and Secretaries Workshops. There was concern expressed that there was no attendance requirement, that proxies were being used excessively, and with how proxies impacted the quorum. The Bylaws were silent on these issues.
3.3	Administrative – these provisions were inadvertently dropped from the Bylaws.
3.3.2	Clarification
3.4	Update
3.5	Typo
3.8**	Clarification and in response to member feedback via the annual Chairs and Secretaries Workshops. There was concern expressed with how proxies impacted the quorum. The Bylaws were silent on these issues and this is consistent with the revisions in Section 3.2.
3.9 (3.9.2**)	Clarity – section was divided into 3.9.1 and 3.9.2 since it addresses two different voting scenarios. Added allowance for email vote – the Bylaws were silent on this issue. In 3.9.2 specifically note different requirements when an Organizational Group is acting as a Standards Development Team and refer to the appropriate section of the Bylaws for details.
3.11	Clarification in response to member feedback via the annual Chairs and Secretaries Workshops.
3.12	Update to reflect current practice.
3.13	Consistent with changes in following sections.
3.13.1	Update
3.13.2	Revisions describe the process as proposed. If SPP is a party to the dispute, an outside firm will be engaged to avoid any conflict with SPP having administrative duties associated with the process. If SPP is not a party, the parties have the option of SPP convening a panel or using an outside firm.

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3.13.3	Originates from the NE Entity amendments noting that while an entity may engage the dispute resolution process, any outcome may be subject to some approval beyond the authority of the individuals participating in the process.
3.14**	Update to reflect current practice.
3.16**	Typo and clarification/consistency.
3.17	Update to reflect current practice and for consistency with OATT.
3.17 (b)	Typo
3.17(g)	Compliance with Order 719.
4.1 (d) and (e)	Clarifications
4.1 (f)	Clarification and update to reflect current practice.
4.1 (i) and (j)	Typos
4.1 (m) and (n)	Clarifications
4.2.3	Update/clarification; same as in Section 9.7.2.3
4.3	Update – no longer relevant [Note: all revisions throughout section 4.3 are mimicked in Section 9.7.3]
4.3 (a)	Clarification
4.3 (b)	Clarifications and update to reflect current practice.
4.3 (d)	Updates at the request of members to “nominate from the floor”, but still enable candidates to be vetted and the membership to receive some background prior to a vote/in advance of a meeting. These revisions accomplish both objectives and set some threshold for submitting a candidate outside the Corporate Governance Committee process (20% support provision).
4.3 (e) (1)	In response to member requests; allows for a vote “against” a candidate rather than only “for” or abstaining. Updated to refer back to Section 3.9 in re: voting (rather than restating), and provides process in the event a position is not filled.
4.3 (e) (2)	In response to member requests; allows for a vote “against” a candidate rather than only “for” or abstaining. Updated to refer back to Section 3.9 in re: voting (rather than re-stating), and provides process in the event multiple candidates are nominated for a position. Also provides a process in the event a position is not filled.
4.4	Clarification to refer back to voting provisions rather than restate.
4.5	Update to remove need for interim directors elected by the sitting directors. Vacancies will only be filled using the process outlined in Section 4.3. [NOTE: same revisions in Section 9.7.5.]
4.6.1**	Updates to reflect current practice.

ATTACHMENT C

4.6.3	Clarification
5.1.2	Update – no longer relevant.
5.1.2 (a) and (b)	Clarifications and update to reflect current practice.
5.1.2 (e)	Clean-up
6.1	Update to current practice. Members appoint an MOPC rep as they join and can change the rep at any time – not tied to a meeting.
6.2	Update to current practice. The Board reviews the roster each year, but can appoint a new member as needed – not tied to a meeting.
6.2 (g) and (h)/current	These duties have been reassigned to the Corporate Governance Committee (see Section 6.6 (l) and (m)/new).
6.3	Update to current practice. The Board reviews the roster each year, but can appoint a new member as needed – not tied to a meeting.
6.3 (b)	Clean-up. The Corporate Governance Committee now recommends compensation for directors and trustees for approval by the Membership (see Section 6.6 (o)/new).
6.3 (f)/new	Update to current practice.
6.4	Update to current practice. The Board reviews the roster each year, but can appoint a new member as needed – not tied to a meeting.
6.4 (f)/new	New duty assigned to the Oversight Committee.
6.5	Update to current practice. The Board reviews the roster each year, but can appoint a new member as needed – not tied to a meeting.
6.5 (d)	Update to synchronize with revision in Section 6.4(f)/new.
6.6	Clean-up/consistency
6.6 (d) and (e)	Clean-up and update to current practice.
6.6 (g)/new	Clarification to reflect actual practice.
6.6 (h)/new	Clean-up to reflect actual practice.
6.6 (l) and (m)/new	Duties reassigned to the Corporate Governance Committee from the Strategic Planning Committee. Synchronizes with revisions in Section 6.2 (g) and (h)/current
6.6 (n)/new	Clean-up to reflect actual practice. Succession of directors is managed via the nomination process.
6.6 (o)/new	Typo
8.1	Clarification that there is some authority in re: budget in Section 9.0. Simplification regarding reference to policy rather than restating.

ATTACHMENT C

8.2	Clarification. [Note: only reason SPP has altered to date has been execution was within 30-60 days of invoicing for the coming year – no need to pay the current year’s fee for only a few weeks before paying the coming year’s fee; but, want it to be clear SPP has the flexibility.]
8.7.2	Update to reflect actual practice. [Example: SPP has never required a merging member to pay the withdrawal obligation as long as the surviving company remains a member.]
9.2** and 9.3**	Update to reflect current organizational structure with addition of the Regional Entity General Manager.
9.4**	Clean-up
9.6**	Clean-up
9.7.1**	Clean-ups
9.7.2.3**	Update/clarification – same as in Section 4.2.3.
9.7.3**	All revisions are the same as those throughout Section 4.3, for the same reasons. Sentence in first paragraph of 9.7.3 deleted - no longer relevant.
9.7.3(a)**	Clarification.
9.7.3(b)**	Clarification and update to reflect current practice.
9.7.3(d)**	Updates at the request of members to “nominate from the floor,” but still enable candidates to be vetted and the membership to receive some background prior to a vote/in advance of a meeting. These revisions accomplish both objectives and set a threshold for submitting a candidate outside the Corporate Governance Committee process (20% support provision).
9.7.3(e)(1)**	In response to member requests; allows for a vote “against” a candidate rather than only “for” or abstaining. Updated to refer back to Section 3.9 in re: voting (rather than restating), and provides process in the event a position is not filled.
9.7.3(e)(2)**	In response to member requests; allows for a vote “against” a candidate rather than only “for” or abstaining. Updated to refer back to Section 3.9 in re: voting (rather than restating), and provides process in the event a position is not filled.
9.7.4**	Clarification to refer back to voting provisions rather than restate. [Note: same revisions in Section 4.4 re Directors].

ATTACHMENT C

9.7.5**	Update to remove need for interim trustees. Vacancies will only be filled using the process outlined in Section 9.7.3. [Note: same revisions in Section 4.5 in re: Directors.]
9.7.6**	Updated to reflect current practice and to allow Trustees some flexibility related to their meeting schedule, if needed. Notice mitigates any impairment of stakeholder access/transparency.
10.0	Typo

ATTACHMENT D

SOUTHWEST POWER POOL, INC.

RECOMMENDATIONS TO THE SPP BOARD OF DIRECTORS

AND THE SPP MEMBERSHIP

CONCERNING PROPOSED BYLAWS AMENDMENTS



Southwest Power Pool, Inc.
SPP CORPORATE GOVERNANCE COMMITTEE
Recommendation to the Board of Directors
April 28, 2009
Revisions to Bylaws

Background

The Corporate Governance Committee initiated a review of SPP's Bylaws in response to feedback from the annual Chairs and Secretaries Workshops. These proposed changes have been on hold while Bylaws changes were pending at FERC related to the implementation of the Regional Entity function. In addition, several clean-up revisions were considered, as well as one revision related to Order 719 compliance. The revisions proposed require a combination of Membership and Board of Directors action.

Analysis

The most significant revisions are in Section 3.0 in three areas. These are primarily in response to feedback from the Chairs and Secretaries Workshops.

- Section 3.2: There has been concern with voting members of Organizational Groups continuously sending a proxy, often holding a seat that otherwise would be available to another interested member representative. The proposed revisions establish attendance requirements, as well as more details regarding the use of proxy, but still provide the chair of a group flexibility in addressing related issues.
- Section 3.8: There has been confusion as to the establishment and retention of a quorum, particularly how proxies impact the quorum. The proposed revisions, along with those in Section 3.2, address the concerns raised.
- Section 3.9: There are not significant changes in this section, but a reorganization of it for clearer reading. There are revisions related to a group serving as a Standards Drafting Team, again, for clarification.

The revisions in Section 6.0 update the Committee assignments with current activities and intent. The revisions in Section 8.0 clarify intent and memorialize what has been standard practice.

Revisions to Sections 1.0, 2.0, 3.0, 6.0 and 8.0 of the Bylaws may be modified by the Board of Directors with no action required by the Membership. Revisions to Sections 4.0, 5.0, 9.0 and 10.0 of the Bylaws may only be modified by the Membership, which approval is being solicited separately.

Recommendation

Approval of revisions as proposed to Sections 1.0, 2.0, 3.0, 6.0 and 8.0 of the SPP Bylaws.

Approved:	Corporate Governance Committee	March 5, 2009
	Unanimous	
	Board of Directors	April 28, 2009
	Approved	



Southwest Power Pool, Inc.
SPP CORPORATE GOVERNANCE COMMITTEE
Recommendation to the Membership
April 28, 2009
Revisions to Bylaws

Background

The Corporate Governance Committee initiated a review of SPP's Bylaws in response to feedback from the annual Chairs and Secretaries Workshops, as well as individual members. These proposed changes have been on hold while Bylaws changes were pending at FERC related to the implementation of the Regional Entity function. In addition, several clean-up revisions were considered, as well as one revision related to Order 719 compliance. The revisions proposed require a combination of Membership and Board of Directors action.

Analysis

The most significant revisions are in Sections 4.3 and 9.7.3 and relate to the nomination and election of Directors and Trustees. These are primarily in response to member feedback and concerns with the ability to submit nominees as well as vote against candidates.

- Nominations in addition to those of the Corporate Governance Committee may still be made, but must be done 15 days in advance of a meeting at which elections will be held to allow for vetting of the nominee. These nominations will also require the support of at least 20 percent of the membership.
- Members will now be able to vote for or against a candidate (rather than only for or abstain).
- If a single candidate is nominated for a position, a supermajority of votes "for" will be required for election. If multiple candidates are nominated for a position, a simple majority of votes "for" will be required for election.
- If no candidate is elected, the Corporate Governance Committee will determine a new candidate for nomination and a special meeting will be called to hold the election.

These revisions impact the election of Directors and Trustees only; the election of Members Committee representatives remains unchanged.

Revisions in Section 9.0 reflect the establishment of a Regional Entity General Manager position, as well as mimic the revisions proposed in Section 4.0 related to elections.

Revisions to Sections 4.0, 5.0, 9.0 and 10.0 of the Bylaws may be modified by the Membership with no action required by the Board of Directors. Revisions to Sections 1.0, 2.0, 3.0, 6.0 and 8.0 of the Bylaws may only be modified by the Board of Directors, which approval is being solicited separately.

Recommendation

Approval of revisions as proposed to Sections 4.0, 5.0, 9.0 and 10.0 of the SPP Bylaws.

Approved:	Corporate Governance Committee	March 5, 2009
	Unanimous	
	Membership	April 28, 2009
	Unanimous	

ATTACHMENT E

**LETTER FROM SOUTHWEST POWER POOL, INC.
TO NERC REQUESTING APPROVAL OF
THE PROPOSED AMENDMENTS TO THE BYLAWS OF
SOUTHWEST POWER POOL, INC.**

April 30, 2009

Mr. David Cook
Vice President and General Counsel
North American Electric Reliability Corporation
Princeton Forrestal Village
116-390 Village Boulevard
Princeton, NJ 08540-5721

RE: Amendments to Southwest Power Pool, Inc.'s Bylaws

Dear Dave:

Per our recent discussions, Southwest Power Pool, Inc. (SPP) has taken actions to amend its Bylaws. As required of Regional Entities by the Federal Energy Regulatory Commission (FERC), SPP submits the amendments related to its execution of the Regional Entity function to NERC as the Electric Reliability Organization for consideration and approval in advance of filing with FERC.

To facilitate NERC's review, SPP provides the following documentation:

- This letter
- A table outlining the purpose of each revision
- The Recommendations that were provided to the SPP Board of Directors and the SPP Membership for consideration and action at meetings on April 28, 2009
- A redline version of the SPP Bylaws
- A clean version of the SPP Bylaws, accepting the changes in the redline version

The proposed revisions reflect both those requested by the membership, as well as administrative corrections. Those that are member-driven primarily originate from SPP's annual Chairs and Secretaries Workshop held for the members and staff that serve in those roles for SPP's committees and working groups. The recommendations from the workshops were provided to the Corporate Governance Committee for consideration and development. The resulting revisions were presented to the Membership and the Board of Directors, as detailed in the above-referenced Recommendations.

The revisions in Section 9.0 *Regional Entity Function* are those that primarily impact the SPP Regional Entity role. Specifically, the new Regional Entity General Manager position is

included, and the voting process for election of Trustees has been further developed. It is important to note that the revisions made related to election of the Trustees are identical to those made related to the election of Directors. It is the membership's intent that these processes be identical.

Please contact me if there is additional information needed to facilitate NERC's pending action. If needed, an SPP representative can be available to participate in the upcoming meeting to address questions.

Sincerely,



Stacy Duckett
Vice President, General Counsel and Corporate Secretary
(501) 614-3296 • Fax: (501) 664-9553 • sduckett@spp.org

C: Stacy Dochoda/SPP RE General Manager
Alison Hayes/SPP RE Counsel
Barry Spector/Wright & Talisman