APPLICATION OF
SOUTHWESTERN ELECTRIC POWER COMPANY,
THE EMPIRE DISTRICT ELECTRIC COMPANY AND
OKLAHOMA GAS & ELECTRIC COMPANY
FOR APPROVAL TO JOIN THE
SOUTHWEST POWER POOL
INDEPENDENT SYSTEM OPERATOR/
REGIONAL TRANSMISSION GROUP

COMES NOW Southwestern Electric Power Company (SWEPCO), The Empire District Electric Company (Empire), and Oklahoma Gas & Electric Company (OG&E), individually and jointly, (SWEPCO, Empire and OG&E are referred to herein collectively as "Joint Applicants") and respectfully allege and state:

1. SWEPCO is a Delaware corporation with its principal place of business located at 318 Travis Street, Shreveport, Louisiana. It is a wholly owned subsidiary of Central and South West Corporation, a registered public utility holding company and a Delaware corporation. Among other things, SWEPCO provides electric service in the State of Arkansas and is subject to the jurisdiction of the Arkansas Public Service Commission (APSC).

2. Empire is a Kansas Corporation with its principal place of business in Joplin, Missouri. Empire is a public utility engaged in the generation, sale, transmission, and distribution of electricity at both retail and wholesale to customers located in southwestern Missouri, southeastern Kansas, northeastern Oklahoma and northwestern Arkansas. Empire is in
the process of seeking regulatory approvals to consummate a merger with Utilicorp. Empire is subject to the APSC's jurisdiction.

3. OG&E is an Oklahoma corporation with its principal place of business in Oklahoma City, Oklahoma. OG&E is a public utility engaged in the generation, sale, transmission and distribution of electricity, at both wholesale and retail, to customers located in Oklahoma and western Arkansas. As a provider of retail electric service in the State of Arkansas, OG&E is subject to the jurisdiction of the APSC.

4. The Southwest Power Pool (SPP) is an Arkansas nonprofit corporation with its principal place of business in Little Rock, Arkansas. The SPP was formed in 1941 by a voluntary intercompany agreement among 11 utilities in response to critical national defense needs during World War II. In 1968, the SPP became a regional Reliability Council joining with several other organizations to form the predecessor to the North American Electric Reliability Council.

5. The SPP currently has 55 members. The SPP's members serve more than 4 million customers in a 400,000 square mile area covering all or part of the States of Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma and Texas. The SPP currently offers open access transmission service under a regional tariff that eliminates rate pancaking through the eight state SPP region.¹ In September 1999, the SPP made a filing in Docket No. ER99-4392-000 before the Federal Energy Regulatory Commission (FERC). Pursuant to section 205(c) of the Federal Power Act (FPA), the SPP submitted tariff provisions to add regional network transmission service effective February 1, 2000. Pursuant to these tariff provisions, the SPP will administer all of the open access transmission services required by

¹ Rate "pancaking" occurs when a transmission customer is charged separate transmission access charges for each utility service territory the customer's contract path crosses.
FERC Order No. 888² for the SPP region. SWEPCO, Empire and OG&E are members of the SPP.

6. In order to comply with the FERC's requirements for recognition as a regional transmission entity, the SPP formed a task force that began work in January, 1997 to develop mechanisms for independent regional security coordination and an independently administered regional tariff. In July 1999, the task force recommended that the SPP Board of Directors approve a new SPP Membership Agreement. The task force also developed proposed revisions to the SPP By-laws. At the July 20, 1999 meeting of the SPP Board of Directors the new SPP Membership Agreement and revised By-laws were approved to be effective January 1, 2000. The SPP filed the New Membership Agreement with the FERC in Docket No. ER99-4392-000 pursuant to FPA section 205(c). By order issued December 17, 1999, the FERC accepted the SPP Membership Agreement to become effective on January 1, 2000.³

7. On December 30, 1999, the SPP filed with the FERC a request for formal recognition as an independent system operator (ISO) and a regional transmission organization (RTO). Southwest Power Pool, Inc., Docket No. EL00-39-000. The SPP included in that filing the SPP Membership Agreement previously accepted by the FERC and the revised SPP By-laws.⁴ The SPP's ISO/RTO filing is still pending before the FERC. The Membership Agreement

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³ Southwest Power Pool, Inc., 89 FERC ¶ 61,284 at 61,895 (1999). The FERC also accepted, with certain modifications, to be effective February 1, 2000, SPP's proposed tariff revisions filed in that docket. Id.

⁴ The SPP stated that the provisions of the Membership Agreement, together with the SPP's revised Bylaws, demonstrate the SPP's compliance with the basic requirements of ISOs.
4

is the means by which the Joint Applicants individually have delegated to the SPP, as their agent, the authority to schedule transactions and administer transmission service over the Joint Applicants' transmission facilities in the SPP. The Membership Agreement and the SPP By-laws provide the terms under which the Joint Applicants have joined the proposed SPP ISO/RTO. Attached to this Application is a copy of the revised Membership Agreement the Joint Applicants executed to join the SPP ISO/RTO and the revised SPP By-laws.

8. Section 23-19-502(d) of the Electric Consumers Choice Act (ECCA) provides:

No utility shall sell, lease, rent, or otherwise transfer, in any manner, control of transmission facilities in the state without the approval of the commission, provided that such approval shall be required only to the extent not subject to the exclusive jurisdiction of the Federal Energy Regulatory Commission or other federal agency.

By order issued on March 15, 2000, the APSC ordered SWEPCO, Empire and OG&E to file applications with the APSC requesting the APSC's approval "before joining the SPP ISO/RTO" and "for approval of the transfer of control of their transmission facilities to the SPP ISO/RTO." March 15 order at 6. The APSC urged the utilities to file jointly. March 15 order at n.1. This application responds to the APSC's March 15 order.5

9. The Joint Applicants believe that their membership in the SPP ISO/RTO is in the best interest of their customers.6 By their membership in the SPP ISO/RTO, the Joint Applicants


5 By an order issued on March 21, 2000, the APSC extended the due date for filing the applications to April 10, 2000.

6 The Arkansas legislature also has required utilities doing business in Arkansas to subject their transmission facilities or rights to an independent regional transmission operator if such an entity has been approved by the FERC for Arkansas or for a larger region of which Arkansas is a part. ECCA Section 23-19-103. See March 15 order at 6.
each have delegated to an independent entity sufficient authority over the Joint Applicants' transmission facilities in the SPP to ensure the reliability of the SPP grid and foster competition in the region -- all for the ultimate benefit of consumers.

10. Under the Membership Agreement, the SPP, not the individual transmission-owning members of the SPP, will offer and provide transmission service over the SPP grid. Membership Agreement, Section 2.1.1. The SPP will administer the SPP open access transmission tariff on file with the FERC and independently propose changes to the SPP tariff, calculate available transfer capability (ATC) into and out of the SPP grid, process transmission requests and schedules, and operate an open access same-time information system (OASIS). Thus, the SPP, and not the transmission-owning SPP members, will arrange transmission service directly with transmission customers.\(^7\)

11. To fulfill its responsibilities as an ISO/RTO, the SPP will act as the security coordinator for the SPP region.\(^8\) The SPP has the authority to monitor and respond to generation capacity deficiencies (including authority to direct the acquisition of generation capacity and shedding of load), develop security plans with other regions, develop emergency response procedures and direct compliance with those procedures (except in cases of emergencies

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\(^7\) Although Section 2.1.1(d) indicates that the SPP will "coordinate" with an affected transmission-owning member when processing a transmission service request, that coordination does not eliminate the fact that the SPP will be the sole administrator of the SPP tariff and has the authority to direct a transmission-owning member to follow the SPP's determination regarding transmission requests under the SPP tariff. Membership Agreement, Sections 2.2.5 and 3.0 (e) ("Transmission Owners shall provide transmission service over their Tariff Facilities at the direction of the SPP pursuant to the terms of the Transmission Tariff."). Further, the SPP's market monitoring activity will deter any transmission-owning member from using the "coordination" provision as a means to manipulate the transmission grid to the detriment of competitors. SPP By-laws, Section 3.16.

\(^8\) The FERC has recognized that an RTO that serves as a security coordinator will have the independence to ensure non-discriminatory transmission service. Order No. 2000, FERC Stats. & Regs., Regs. Preambles ¶ 31,089 at 31,090.
involving potential injury to employees or the public, monitor and coordinate transmission voltage levels, direct redispatch of generation, and direct its transmission-owning members to construct new transmission facilities. Membership Agreement, Section 2.1.2. The SPP has the authority to review the maintenance plans of the SPP transmission-owning members. Membership Agreement, Section 2.1.3. The SPP also has responsibility to coordinate the maintenance of generating units, as appropriate, by reviewing and analyzing planned maintenance schedules in order to identify opportunities and associated costs related to a generator's rescheduling of planned maintenance. Membership Agreement, Section 2.1.4.

Finally, the SPP, not the transmission-owning members of the SPP, will develop transmission plans for the SPP grid as are necessary to fulfill the SPP's obligations under the Membership Agreement. Membership Agreement, Section 2.1.5. Although the SPP will coordinate these planning efforts with affected members, the planning must conform to the reliability requirements established by the SPP, NERC, and state and federal regulatory authorities. Id. An individual transmission-owning member's reliability requirements will apply only to the extent they are consistent with those other independently set requirements. Id. In sum, the SPP ISO/RTO has sufficient operational authority over transmission facilities to ensure that no market participant can use the SPP transmission grid to favor the participant's transactions over those of its competitors. In addition, under the SPP tariff, transmission customers may use the entire

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9 Although the SPP will "work with" its members to minimize any adverse impact a plan may have on the system, the SPP has the ultimate authority to direct changes to any previously approved plans if necessary to ensure the integrity of the SPP grid. Membership Agreement, Section 2.1.3.

10 In addition, the SPP's authority to monitor the actions of its members to ensure that they do not engage in any activity that creates transmission constraints to exclude competitors or in any other behavior that undermines the provision of transmission service provides a means for the SPP to discipline a recalcitrant market participant. SPP By-laws, Section 3.16.
SPP grid and pay a non-pancaked rate. Membership Agreement, Section 3.10. This enhanced service at a non-pancaked rate also will foster competition in the region.

12. Moreover, the structure of the SPP Board of Directors ensures that the SPP ISO/RTO will exercise its authority independent of any market participant or class of market participants. The SPP will perform its functions subject to the control of the SPP Board of Directors. Membership Agreement, Section 2.3; By-laws, Section 4.0. Under the revised By-laws, the SPP Board is designed to contain 21 directors: seven directors representing "transmission using" members, seven directors representing "transmission-owning" members, and seven directors independent of any SPP member. SPP By-laws, Section 4.2.1. The By-laws require further divisions within each of the three director groups. Id. Thus, no single market participant or class of market participants will be able to control the SPP Board. Because the SPP will be directed by the diverse and independent SPP Board, the transmission grid will be put to the best possible use for all consumers, and not be operated to maximize the economic benefits for any one market participant or stakeholder class.

11 As previously noted, rate "pancaking" occurs when a transmission customer is charged separate transmission access charges for each utility service territory the customer's contract path crosses. Order No. 2000, FERC Stats. & Regs., Regs. Preambles ¶ 31,089, at 31,173. The elimination of rate pancaking is a central goal of the FERC's RTO policy. Id. at 31,174. However, neither the SPP nor the SPP Board may take any action that may damage the tariff facilities or any property of an SPP member. Further, the SPP will distribute revenue to the transmission-owning members in accordance with the SPP open access transmission service tariff and the Membership Agreement. Membership Agreement, Section 2.3. Because the SPP tariff and the Membership Agreement must be filed with the FERC, the distribution of revenues will be subject to independent regulatory review.

13 The director representatives of the transmission using and transmission-owning members were elected at the November 8-9, 1999 meeting of the SPP's Board of Directors. The seven independent directors are to be elected at an upcoming meeting of the SPP members.

14 The Joint Applicants recognize that the APSC has filed comments in the SPP ISO/RTO proceeding pending before the FERC and have requested changes in, or clarification of, the Membership Agreement. The Joint Applicants cannot unilaterally change the Membership Agreement.
WHEREFORE, the Joint Applicants request that the Commission approve their application requesting authority to join the proposed SPP ISO/RTO. The SPP ISO/RTO will have sufficient operational authority over the transmission grid independent from any market participant to ensure the reliability of the SPP grid and to foster competition in the region.

Respectfully submitted,

SOUTHWESTERN ELECTRIC POWER COMPANY
THE EMPIRE DISTRICT ELECTRIC COMPANY
OKLAHOMA GAS & ELECTRIC COMPANY

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By: ________________
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On behalf of
The Empire District Electric Company

Agreement to address the APSC's issues. However, the Joint Applicants believe that the combination of the Membership Agreement, the By-laws and the SPP tariff address the reliability and independent operation issues the APSC identified in its March 15 order. March 15 order at 5-6. The Joint Applicants remain willing to work with the APSC in the FERC proceeding and in the Order No. 2000 collaborative process to address the APSC's concerns.
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On behalf of
Oklahoma Gas & Electric Company
BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF A SHOW CAUSE TO
SOUTHWESTERN ELECTRIC POWER CO.,
OKLAHOMA GAS AND ELECTRIC CO., AND
THE EMPIRE DISTRICT ELECTRIC CO., FOR AN
APPARENT VIOLATION OF ARK. CODE ANN.
§ 23-19-502(D)

DOCKET NO. 00-010-U

APPLICATION OF
SOUTHWESTERN ELECTRIC POWER COMPANY,
THE EMPIRE DISTRICT ELECTRIC COMPANY AND
OKLAHOMA GAS & ELECTRIC COMPANY
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COMES NOW Southwestern Electric Power Company (SWEPCO), The Empire District
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Missouri, southeastern Kansas, northeastern Oklahoma and northwestern Arkansas. Empire is in
the process of seeking regulatory approvals to consummate a merger with Utilicorp. Empire is subject to the APSC's jurisdiction.

3. OG&E is an Oklahoma corporation with its principal place of business in Oklahoma City, Oklahoma. OG&E is a public utility engaged in the generation, sale, transmission and distribution of electricity, at both wholesale and retail, to customers located in Oklahoma and western Arkansas. As a provider of retail electric service in the State of Arkansas, OG&E is subject to the jurisdiction of the APSC.

4. The Southwest Power Pool (SPP) is an Arkansas nonprofit corporation with its principal place of business in Little Rock, Arkansas. The SPP was formed in 1941 by a voluntary intercompany agreement among 11 utilities in response to critical national defense needs during World War II. In 1968, the SPP became a regional Reliability Council joining with several other organizations to form the predecessor to the North American Electric Reliability Council.

5. The SPP currently has 55 members. The SPP's members serve more than 4 million customers in a 400,000 square mile area covering all or part of the States of Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma and Texas. The SPP currently offers open access transmission service under a regional tariff that eliminates rate pancaking through the eight state SPP region.¹ In September 1999, the SPP made a filing in Docket No. ER99-4392-000 before the Federal Energy Regulatory Commission (FERC). Pursuant to section 205(c) of the Federal Power Act (FPA), the SPP submitted tariff provisions to add regional network transmission service effective February 1, 2000. Pursuant to these tariff provisions, the SPP will administer all of the open access transmission services required by

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FERC Order No. 888\(^2\) for the SPP region. SWEPCO, Empire and OG&E are members of the SPP.

6. In order to comply with the FERC's requirements for recognition as a regional transmission entity, the SPP formed a task force that began work in January, 1997 to develop mechanisms for independent regional security coordination and an independently administered regional tariff. In July 1999, the task force recommended that the SPP Board of Directors approve a new SPP Membership Agreement. The task force also developed proposed revisions to the SPP By-laws. At the July 20, 1999 meeting of the SPP Board of Directors the new SPP Membership Agreement and revised By-laws were approved to be effective January 1, 2000. The SPP filed the New Membership Agreement with the FERC in Docket No. ER99-4392-000 pursuant to FPA section 205(e). By order issued December 17, 1999, the FERC accepted the SPP Membership Agreement to become effective on January 1, 2000.\(^3\)

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\(^2\) Promoting Wholesale Competition Through Open Access Non-discriminatory Transmission Service by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities, Order No. 888, FERC Stats. & Regs. \(\text{¶} 31,036\) (1996), order on reh'g, Order No. 888-A, FERC Stats. & Regs. \(\text{¶} 31,048\) (1997), order on reh'g, Order No. 888-B, 81 FERC \(\text{¶} 61,248\) (1997), order on reh'g, Order No. 888-C, 82 FERC \(\text{¶} 61,046\) (1998), appeal pending.

\(^3\) *Southwest Power Pool, Inc.*, 89 FERC \(\text{¶} 61,284\) at 61,895 (1999). The FERC also accepted, with certain modifications, to be effective February 1, 2000, SPP's proposed tariff revisions filed in that docket. *Id.*

\(^4\) The SPP stated that the provisions of the Membership Agreement, together with the SPP's revised Bylaws, demonstrate the SPP's compliance with the basic requirements of ISOs.
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each have delegated to an independent entity sufficient authority over the Joint Applicants' transmission facilities in the SPP to ensure the reliability of the SPP grid and foster competition in the region -- all for the ultimate benefit of consumers.

10. Under the Membership Agreement, the SPP, not the individual transmission-owning members of the SPP, will offer and provide transmission service over the SPP grid. Membership Agreement, Section 2.1.1. The SPP will administer the SPP open access transmission tariff on file with the FERC and independently propose changes to the SPP tariff, calculate available transfer capability (ATC) into and out of the SPP grid, process transmission requests and schedules, and operate an open access same-time information system (OASIS). Thus, the SPP, and not the transmission-owning SPP members, will arrange transmission service directly with transmission customers.  

11. To fulfill its responsibilities as an ISO/RTO, the SPP will act as the security coordinator for the SPP region. The SPP has the authority to monitor and respond to generation capacity deficiencies (including authority to direct the acquisition of generation capacity and shedding of load), develop security plans with other regions, develop emergency response procedures and direct compliance with those procedures (except in cases of emergencies

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7 Although Section 2.1.1(d) indicates that the SPP will "coordinate" with an affected transmission-owning member when processing a transmission service request, that coordination does not eliminate the fact that the SPP will be the sole administrator of the SPP tariff and has the authority to direct a transmission-owning member to follow the SPP's determination regarding transmission requests under the SPP tariff. Membership Agreement, Sections 2.2.5 and 3.0 (e) ("Transmission Owners shall provide transmission service over their Tariff Facilities at the direction of the SPP pursuant to the terms of the Transmission Tariff."). Further, the SPP's market monitoring activity will deter any transmission-owning member from using the "coordination" provision as a means to manipulate the transmission grid to the detriment of competitors. SPP By-laws, Section 3.16.

8 The FERC has recognized that an RTO that serves as a security coordinator will have the independence to ensure non-discriminatory transmission service. Order No. 2000, FERC Stats. & Regs., Regs. Preambles ¶ 31,089 at 31,090.
involving potential injury to employees or the public), monitor and coordinate transmission voltage levels, direct redispatch of generation, and direct its transmission-owning members to construct new transmission facilities. Membership Agreement, Section 2.1.2. The SPP has the authority to review the maintenance plans of the SPP transmission-owning members. Membership Agreement, Section 2.1.3. The SPP also has responsibility to coordinate the maintenance of generating units, as appropriate, by reviewing and analyzing planned maintenance schedules in order to identify opportunities and associated costs related to a generator's rescheduling of planned maintenance. Membership Agreement, Section 2.1.4. Finally, the SPP, not the transmission-owning members of the SPP, will develop transmission plans for the SPP grid as are necessary to fulfill the SPP's obligations under the Membership Agreement. Membership Agreement, Section 2.1.5. Although the SPP will coordinate these planning efforts with affected members, the planning must conform to the reliability requirements established by the SPP, NERC, and state and federal regulatory authorities. Id. An individual transmission-owning member's reliability requirements will apply only to the extent they are consistent with those other independently set requirements. Id. In sum, the SPP ISO/RTO has sufficient operational authority over transmission facilities to ensure that no market participant can use the SPP transmission grid to favor the participant's transactions over those of its competitors. In addition, under the SPP tariff, transmission customers may use the entire

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9 Although the SPP will "work with" its members to minimize any adverse impact a plan may have on the system, the SPP has the ultimate authority to direct changes to any previously approved plans if necessary to ensure the integrity of the SPP grid. Membership Agreement, Section 2.1.3.

10 In addition, the SPP's authority to monitor the actions of its members to ensure that they do not engage in any activity that creates transmission constraints to exclude competitors or in any other behavior that undermines the provision of transmission service provides a means for the SPP to discipline a recalcitrant market participant. SPP By-laws, Section 3.16.
SPP grid and pay a non-pancaked rate. Membership Agreement, Section 3.10. This enhanced service at a non-pancaked rate also will foster competition in the region.

12. Moreover, the structure of the SPP Board of Directors ensures that the SPP ISO/RTO will exercise its authority independent of any market participant or class of market participants. The SPP will perform its functions subject to the control of the SPP Board of Directors. Membership Agreement, Section 2.3; By-laws, Section 4.0. Under the revised By-laws, the SPP Board is designed to contain 21 directors: seven directors representing "transmission using" members, seven directors representing "transmission-owning" members, and seven directors independent of any SPP member. SPP By-laws, Section 4.2.1. The By-laws require further divisions within each of the three director groups. Id. Thus, no single market participant or class of market participants will be able to control the SPP Board. Because the SPP will be directed by the diverse and independent SPP Board, the transmission grid will be put to the best possible use for all consumers, and not be operated to maximize the economic benefits for any one market participant or stakeholder class.

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The director representatives of the transmission using and transmission-owning members were elected at the November 8-9, 1999 meeting of the SPP's Board of Directors. The seven independent directors are to be elected at an upcoming meeting of the SPP members.

The Joint Applicants recognize that the APSC has filed comments in the SPP ISO/RTO proceeding pending before the FERC and have requested changes in, or clarification of, the Membership Agreement. The Joint Applicants cannot unilaterally change the Membership Agreement.
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Respectfully submitted,

SOUTHWESTERN ELECTRIC POWER COMPANY
THE EMPIRE DISTRICT ELECTRIC COMPANY
OKLAHOMA GAS & ELECTRIC COMPANY

By: ______________________________
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On behalf of
Southwestern Electric Power Company

By: ______________________________
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    Jefferson City, MO 65101
    (573) 635-7166

On behalf of
The Empire District Electric Company

Agreement to address the APSC's issues. However, the Joint Applicants believe that the combination of the Membership Agreement, the By-laws and the SPP tariff address the reliability and independent operation issues the APSC identified in its March 15 order. March 15 order at 5-6. The Joint Applicants remain willing to work with the APSC in the FERC proceeding and in the Order No. 2000 collaborative process to address the APSC's concerns.
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On behalf of
Oklahoma Gas & Electric Company
Southwest Power Pool Bylaws
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BYLAWS

of

Southwest Power Pool, Inc.

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: (1) are subsidiaries of the same company; (2) one Member is a subsidiary of another Member; (3) have through an agency agreement turned control of a majority of their generation facilities over to another Member; (4) have through an agency agreement turned control of a majority of their transmission system over to another Member; (5) have an exclusive marketing alliance between Members; (6) have a member/owner relationship between two or more Members; or (7) ownership by one Member of 10 percent or greater of another Member.

1.2 Articles of Incorporation
SPP's articles of incorporation containing its mission 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 the Bylaws.

1.4 Bylaws
These bylaws.

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

1.6 Member
An eligible entity which executes a SPP Membership Agreement.

1.7 Membership
The collective Members of SPP.

1.8 Membership Agreement
The contract executed between SPP and an eligible entity seeking to become a SPP member that specifies 1 January 1, 2000
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rights and obligations of parties to the contract.

1.9 NERC
The North American Electric Reliability Council or its successor organization.

1.10 Net Energy for Load
The electrical energy requirements of an electric system are defined as system net generation plus energy received from others less energy delivered to others through interchange. It includes system losses but excludes energy required for the storage at energy storage facilities.

1.11 Organizational Group
A group of Member representatives collectively charged with specific responsibilities toward accomplishing SPP’s mission, other than the Board of Directors.

1.12 President
The president of SPP as duly elected by the Board of Directors.

1.13 SPP
Southwest Power Pool, Inc., a non-profit corporation organized and operating pursuant to the laws of the state of Arkansas.

1.14 Staff
The technical and administrative staff of SPP as hired by the President to accomplish SPP’s mission.

1.15 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.

1.16 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, and any entity engaged in the business of selling electric energy or purchasing electric energy for resale. Membership also is open to any entity eligible to take service under the SPP open access transmission tariff. 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. Applying to the SPP President,
c. Executing the Membership Agreement and delivering a signed copy to the President, and
d. Paying to SPP its share of working capital.

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

2.3 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: (i) provide evidence that it has fully paid any accrued financial obligation to SPP; (ii) demonstrate it has corrected the reason for its removal; and (iii) establish that it will be in compliance with SPP Membership requirements.

2.4 Regulatory Agency Involvement
Any regulatory agency having jurisdiction over a Member may participate in all SPP activities. These representatives shall have all rights as Members except the right to vote.

3.0 ORGANIZATIONAL ADMINISTRATION
3.1 Structure
Decision making shall be accomplished primarily through Membership participation in Organizational Groups. Each Member shall provide representation to committees, and by letter to the President, designate such representative to act for it at Organizational Group meetings. Where appropriate for specific research and development projects or on-going activities, working groups will be formed which may not contain representation from every Member. Working group representation will be appointed by the Board of Directors, who shall consider the various types and expertise of Members and their geographic locations, to achieve a widespread and typical representation of the Membership. The chair of any Organizational Group may appoint any ad hoc task forces as necessary to fulfill its mission. Task force appointments shall be made with due consideration of the various types and expertise of Members and their geographic locations. Participation in certain sessions of Organizational Group meetings where market sensitive issues are discussed may be restricted to persons representing entities that have executed NERC's Code of Conduct. Representatives on all SPP Organizational Groups will be documented in the SPP Directory maintained by the SPP Staff. Working group and task force vacancies will be filled on an interim basis by appointment of the President.

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

3.3 Leadership
3.3.1 Appointment
The chair and vice chair of all Organizational Groups shall be appointed by the Board of Directors, following consultation with the parent group leadership and the SPP Staff. The vice chair shall act for a chair at the request of the chair; or if the chair becomes incapacitated and unable to discharge the functions of the position; or if the position of the chair becomes vacant, until a new chair takes office.

3.3.2 Terms
The terms of the chair and vice chair of all Organizational Groups shall coincide with the two-year term of the Chair of the Board of Directors. Working Group and Task Force representation will be reviewed for appropriateness by each new Chair of the Board of Directors.

3.3.3 Vacancies
Should any individual having been appointed as a chair or vice 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 SPP staff shall be headed by the President, who, for the purposes of carrying out the rights, duties, and obligations of the SPP, and pursuant to budgetary and other authority granted by the Board of Directors, shall be empowered to employ qualified technical and administrative employees, engage office space, employ outside technical and special service organizations, execute contracts, provide for independent regional security coordination and transmission service administration, incur reasonable expenses, and 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
SPP Organizational Groups shall meet as necessary to accomplish the SPP mission. Except for executive sessions of the Board of Directors, all SPP meetings shall be open. Representatives shall be given at least fifteen days written notice of the date, time, place and purposes 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. The chair and vice chair of parent groups shall receive copies of all meeting notices.

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

3.7 Expenses
The expenses of each representative participating in activities of all SPP Organizational Groups shall be borne by each respective representative.

3.8 Quorum
The quorum for a meeting of any committee or the Membership shall be those Members present and quorum for any other Organizational Group, shall be one-half of the Membership thereof, but not less than three Members; provided, that a lesser number may adjourn the meeting to a later time.

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3.9 Voting
Each Member of an Organizational Group shall have one vote. Upon joining, Members shall be assigned to one of two Membership categories for the sole purpose of voting; Transmission Owning Members, or Transmission Using Members. All committee and Membership business must be approved by at least sixty-six percent of the average of the ratio of approving votes to voting Members in each category. If no Members are present within a category, the single present category voting ratio will determine approval. A simple majority of Members present or represented by proxy and voting shall be required for working group and task force action. To facilitate timely administration, voting by mail may be used for actions requiring approval of any Organizational Group outside of regular or called meetings. Voting by mail will occur only at the direction of the group's chair and the action must have a motion and second by Members of the group. Voting by mail will be expeditiously administered by the Staff Secretary by any widely available means. The outcome of votes taken by mail will be reported at the next meeting of the group and recorded in the meeting minutes.

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 appeal and submit an alternate recommendation to the Board of Directors prior to consideration of the action by the Board of Directors.

3.11 Staff Support
The President shall assign to each Organizational Group a SPP Staff member, who shall attend all meetings and act as Staff Secretary and perform other functions as necessary. Staff Secretaries of all Organizational Groups 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 by the Staff Secretary. Copies of such minutes shall be sent to each representative and the chair and vice chair of the parent Organizational Group. Minutes shall be considered published documents upon their approval.

3.12 publications and Data Bases
SPP shall publish and distribute printed reports as necessary to fulfill the SPP mission and as the creation of such reports are approved by the Board of Directors. SPP shall also develop and maintain electronic data bases of relevant technical information as approved by the Board of Directors. All publications will be considered non-proprietary and public information and distribution will not be restricted. The release of information in data bases containing member-specific technical data considered proprietary in nature will be governed by the Membership Agreement and related Criteria and administered by the Staff. In the event
member specific non-proprietary technical data is being distributed, SPP will provide written notice of the specific data submitted, to whom it is being submitted and the purpose of such submittal to the respective Member at the same time the data is provided to the requesting party. Publications and technical data will be made available at no charge to Members, other regional councils and their members, and federal and state agencies. Other parties requesting SPP publications or technical data will be charged an amount covering 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 judicial litigation or the utilization of other dispute resolution processes. SPP administrative involvement in the proceeding is to coordinate assembly of a non-biased and independent dispute resolution panel to facilitate the resolution of the dispute and to provide meeting coordination and facilities. If SPP is a party to the dispute, its administrative duties shall be turned over to a contracted facilitator mutually selected by the disputing parties. These procedures do not apply to disputes that are covered by the dispute resolution procedures of the SPP transmission tariff.

3.13.1 Instigation
Any Member may begin these dispute resolution procedures by making a request to the President. This request shall be delivered in writing to the President, who will forward copies of this request to the Board of Directors. This written request must contain the authorized signatures of all parties to the dispute. The request must contain: (i) a statement of the issues in dispute, (ii) the positions of each of the parties relating to each of the issues, (iii) the specific dispute resolution procedure desired, and (iv) any agreed-upon modifications or specific additions to the proceedings described in these Bylaws by which the dispute may be resolved.

3.13.2 Dispute Resolution Panel
The President shall immediately provide to each party to the dispute, a list of candidates to be used in forming a three person dispute resolution panel. This list shall be maintained by SPP and can be added to at any time by any Member and shall contain at least 6 persons meeting the requirements for independent directors. This list shall contain biographical information on each of at least 10 candidates sufficient to establish qualifications as a panel member. The President shall then call a telephone conference meeting.
During this meeting, each party shall alternate striking names from the list until those remaining constitute the dispute resolution panel. This panel shall select a chair from its membership. Should any candidate decline to serve or resign from a current appointment for any reason, the candidate whose name was last struck from the list shall automatically be contacted to serve. The President shall assign a Staff representative to assist the panel as secretary. The President shall manage the panel selection process to ensure its completion within one week from receipt of the request.

3.13.3 Resolution Procedures

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

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

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

c. A binding or 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 (non-binding) or awards (binding) for resolution of each issue in dispute.

The panel chair shall determine meeting arrangements and format necessary to efficiently expedite the resolution of the dispute, and the Staff Secretary shall notify the parties of these details. Each party to the dispute must have at least one representative present at all related meetings with full authority to resolve the dispute. Upon conclusion of this process, the panel chair shall notify the President of its outcome. After consultation with the parties to the dispute and the panel chair to determine the completion of the process as described herein, and/or as modified by the parties, the President shall discharge the panel, and notify the Board of Directors of the results. The parties to the dispute agree to complete the process within 90 days from selection of the panel. The Staff Secretary shall maintain minutes of the panel meetings, which shall become part of SPP 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 share equally all reasonable charges for the meeting location, administrative costs, and related travel expenses of panel members.
dispute shall be responsible for their respective associated expenses.

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

3.14 Meeting of Members
The Chair of the Board of Directors shall convene and preside over Meetings of Members for the purpose of electing directors to positions becoming vacant in the ensuing year, and any other necessary business.

3.15 Liability, Insurance and Indemnification
For purposes of this section "SPP" and "its Members" refers to SPP and its officers, directors, employees or agents and "Member" refers to the Members of SPP, as defined in these Bylaws. None of the provisions of this section absolving SPP or its Members, directors, 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 the SPP, under the then effective SPP Bylaws and Criteria as approved by the SPP Board of Directors.

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 the SPP, under the then effective SPP Bylaws and Criteria as approved by the SPP Board of Directors.

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 SPP Bylaws and Criteria as approved by the SPP Board of Directors.

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 the SPP, under the then effective SPP Bylaws and Criteria as approved by the Board of Directors.
3.15.2 Insurance
The President is authorized to procure insurance, if available at a reasonable cost, to protect SPP against damages arising out of or related to any directive, order, procedure, action or requirement of the SPP, under the then effective SPP Bylaws and Criteria as approved by the SPP Board of Directors or the SPP transmission tariff.

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, 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, 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, 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 the SPP.

b. If the proceeding was brought by or on behalf of the 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, 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, 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, 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.

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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 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, 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, 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, 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. In addition to the indemnification and reimbursement of expenses provided herein, the President shall, if reasonably practical, purchase insurance that would protect the SPP, its directors, officers, agents, employees, or other representatives against reasonably expected liabilities and expenses arising out of the performance of their duties for the SPP.

3.15.4 Limitations
The provisions of this section 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 Monitoring
Compliance monitoring of Members and Staff shall be performed to ensure compliance with all requirements of Membership. SPP compliance monitoring functions shall be performed in concert with related NERC programs. Compliance monitoring shall be an after-the-fact investigative and assessment function. Compliance monitoring functions shall be provided by SPP Staff, independent and separate from security.
coordination and tariff administration functions. Compliance monitoring functions shall include but are not limited to:

a. Investigation of all reports or discoveries of non-compliance with approved SPP Bylaws, Criteria, Transmission Tariff, agreements between SPP and its Members and NERC policies and standards,

b. Access to all information needed to investigate all facets of possible non-compliance,

c. Performance of in-depth reviews of operations upon approval from the Compliance Working Group,

d. Comprehensive compliance audits when recurring issues covering a broad spectrum of violations are determined and documented,

e. Imposition of financial penalties and/or sanctions for non-compliance pursuant to approved Standards, Policies and/or Criteria,

f. Monitoring the behavior of transmission owners and users and generators to determine if there are any attempts to create transmission constraints to exclude competitors or any other behavior that undermines the provision of transmission service,

g. Utilization of dispute resolution procedures as necessary to resolve conflicts, and

h. Coordination of policy modifications to clearly define requirements, standards, and penalties in order to objectively monitor compliance.

4.0 BOARD OF DIRECTORS

4.1 Duties

The Board of Directors shall manage, control and direct the general business of SPP and its duties shall include, but are not limited to the following:

a. Direct activities of all SPP Organizational Groups,

b. Select and review the SPP President and Corporate Secretary, who shall serve at the pleasure of the Board of Directors,

c. Determine positions, duties, qualifications, salaries, benefits and other necessary matters pertaining to the SPP Staff,

d. Review, approve, disapprove or recommend revision to the actions of any committee, working group, or task force,

e. Act on appeals,

f. Approve or revise the annual budget and any additional expenditures,

g. Convene a Meeting of Members at least annually and additionally as necessary,

h. Approve amendments to these bylaws,

i. Approve SPP Criteria containing planning and operating standards and policies and penalties for non-compliance with such Criteria, and

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authorize filings with regulatory bodies.

4.2 Composition and Qualifications

4.2.1 Composition

Provided that Membership is sufficient to accommodate these provisions, the Board of Directors shall consist of 21 persons. Seven directors shall be representatives of Transmission Owning Members, seven directors shall be representatives of Transmission Using Members, and seven directors shall be independent of any Member. Within the Transmission Owning sector, at least two directors shall be representatives of non-investor owned utilities. Within the Transmission Using Member sector, 2 directors shall be representatives of municipal Members (including municipal joint action agencies), 2 directors shall be representatives of cooperative Members and 3 directors shall be representatives of marketer and/or independent power producer and/or other Members. The President shall serve as one of the seven independent directors; provided, that 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. If Membership is insufficient to accommodate these provisions the Nominating Task Force shall make appropriate recommendations to the Membership; provided, that in no instance shall the number of directors in each sector be unequal.

4.2.2 Qualifications

A Member director 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. Independent directors shall have recent and relevant senior management expertise and experience in one or more of the following utility profession disciplines; finance, accounting, transmission or generation planning or operation, law and regulation, commercial markets, and trading and associated risk management. Independent 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. Independent directors may indirectly own any securities 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 director does not control the purchase or sale of such securities. Participation in a pension plan of a Member or customer shall not be deemed to be a direct financial benefit if the Member's or customer's financial performance has no material effect on such pension plan.

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4.3 Term and Election

Except for the President, directors shall be 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 within each sector. The election process shall be as follows:

a. At least three months prior to the Meeting of Members when election of new directors is required, the Chair of the Board of Directors shall appoint a Nominating Task Force of six representatives consisting of three representatives from each Membership sector of the Board of Directors.

b. The Nominating Task Force shall nominate persons equal in number to the directors to be elected, with representatives nominating persons solely for their respective Membership sector, and all six representatives nominating persons for the independent sector.

c. At least one month prior to the Meeting of Members, the Nominating Task Force shall notify the President in writing of the persons it nominates for election as directors, specifying the nominee for any vacancy to be filled. The President shall prepare the ballot accordingly, leaving space for additional names, and shall deliver same to Members at least two weeks prior to the Meeting of Members.

d. For purposes of electing directors only, all Members with Affiliate Relationships shall be limited to a single vote within a single Membership category. These Affiliate Relationship Members are free to specify the Membership category in which to cast their vote in cases where Membership is held in both Membership categories and such election shall remain in effect for three years.

e. At the Meeting of Members, any additional nominee or nominees may be added to the ballot if a motion is made and seconded from within the Membership category to add such nominee or nominees, or if from the entire Membership to add a nominee for an independent director, and

f. At the Meeting of Members, the required number of directors shall be elected by written ballot. Each Member shall be entitled to vote for each nominee of its choice from within its Membership category and for each independent nominee of its choice, but not for more nominees than the number of directors to be elected in each such category. The Member candidates receiving the most votes within each Membership category will fill Member director vacancies. The six independent candidates receiving the highest percent of the average of approving vote ratios within each Membership category will fill independent director vacancies.

4.4 Resignation and Removal of Directors

Any director may resign by written notice to the President noting the effective date of the resignation. If the resignation notice does not include an effective date, the resignation shall take effect upon receipt of the notice by the President. The Membership may remove a director with cause, by an affirmative vote taken in
the same manner as the director was elected. 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 sought to be removed shall be given fifteen days to respond to the petition in writing to the President.

4.5 Vacancies
If a vacancy occurs the Board of Directors will elect an interim director representing the same Membership category to serve until a replacement director is elected and takes office. A special election shall be held at the next Meeting of Members to fill the vacancy for the unexpired term. The replacement director shall take office immediately following the election.

4.6 Functioning of the Board of Directors
In reaching any decision and in considering the recommendations of any Organizational Group, the Board of Directors shall abide by the principles in the SPP Articles of Incorporation and these Bylaws.

4.6.1 Meetings and Notice of Meetings
The Board of Directors shall meet at least three times annually and additionally upon the call of the Chair or upon concurrence of at least seven directors. At least fifteen days' written notice shall be given to each director by the President of the date, time, place and purposes 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.

4.6.2 Chair and Vice Chair; Election and Terms
The Board of Directors shall elect from its membership a Chair and a 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 reelection. The Vice Chair shall act for the Chair at the request of the Chair; or in the event the Chair should become incapacitated and unable to discharge the functions of the office; or 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.

4.6.3 Quorum and Voting
Two-thirds 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 two-thirds
majority vote of the directors present or represented by proxy and voting. To facilitate timely administration, voting by mail may be used for actions outside of regular or called meetings. Voting by mail will occur only at the direction of the Chair and the action must have a motion and second by Members of the Board of Directors. Voting by mail will be expeditiously administered by the Staff Secretary by any widely available means. The outcome of votes taken by mail will be reported at the next meeting of the Board of Directors and recorded in the meeting minutes.

4.6.4 Compensation of Independent Directors
Independent directors shall receive compensation as established 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 (closed to all but directors and 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 or legal matters.

5.0 ORGANIZATIONAL GROUPS REPORTING TO THE BOARD OF DIRECTORS
This section describes the Organizational Groups reporting to the Board of Directors and their general scope responsibilities. Nothing in this section is meant to limit the responsibilities or activities of these Organizational Groups in their efforts to fulfill SPP's mission.

5.1 Engineering and Operating Committee
The Engineering and Operating Committee reports to and is subject to the control of the Board of Directors. Representatives to the Engineering and Operating Committee shall be the officer or employee of each Member in charge of engineering and/or operating activities. The Engineering and Operating Committee shall:

a. Recommend practices for system design, interconnection, and operation that will help to assure efficient and reliable power supply among the systems in SPP,
b. Continue coordination of its efforts with the efforts of NERC, including periodic review of NERC Policies and Standards and their applicability to SPP and its Members,
c. Review Member operating plans and problems that are pertinent to SPP planning and operation,
d. 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 facilities within SPP,
e. Review and assess the current and planned electric system of the region,
Southwest Power Pool, Inc.

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5.2 Commercial Practices Committee

The Commercial Practices Committee reports to and is subject to the control of the Board of Directors. Representatives to the Commercial Practices Committee shall be the officer or employee of each Member in charge of ensuring commercially viable processes associated with interconnected electric system operation. The Commercial Practices Committee shall:

a. Monitor the current state and evolution of the electric energy supply industry and proactively recommend commercial practices that meet industry needs and promote commerce,

b. Work with all SPP Organizational Groups to promote a high standard of operational reliability,

c. Carefully review existing and proposed changes to SPP and NERC policies and make recommendations as to their impact on commercial aspects of SPP operation,

d. Coordinate efforts with neighboring regions through NERC,

e. Oversee, provide guidance and make appropriate recommendations related to system administration of SPP computer systems providing commercial services,

f. Keep informed on legal, regulatory and other matters relating to commercial practices that may be of interest and concern to SPP Members,

g. Assist the SPP Staff in responding to external information requests pertaining to commercial practice related matters, and

h. Respond to activities as requested by the Engineering and Operating Committee.

5.3 Employee Benefits Working Group

The Employee Benefits Working Group reports to and is subject to the control of the Board of Directors with representatives named by the Board of Directors. The Employee Benefits Working Group shall:

a. Interpret SPP employee benefit plans for intent and ambiguity,

b. Resolve all questions concerning eligibility for benefits,
c. Compute the amount of benefits payable under the plans,
d. Employ persons to render advice under the plan,
e. Appoint trustees and define rights, powers and duties of trustees,
f. Evaluate performance of investment managers,
g. Adopt rules and regulations of the plan,
h. Recommend amendments to the plan,
i. Establish a claims procedure,
j. Establish and carry out funding policy,
k. Annually in July evaluate performance of investments,
l. Annually in September review the employee compensation plan, and
m. Make recommendations to the Board of Directors as necessary to; appoint and remove investment managers for all plans, designate portion of contribution to the plans, participate in trust agreement, direct trustee concerning payments made out of trust fund, set investment goals, employ consultants to advise on plans, amend all plans, terminate plans, and authorize participation in all plans.

5.4 Compliance Working Group
The Compliance Working Group reports to and is subject to the control of the Board of Directors with six representatives named by the Board of Directors. This Working Group shall oversee the process of monitoring compliance to SPP and NERC policies and shall:
    a. Independently review activities of the Staff,
    b. Hear and rule on appeals from Members regarding penalty assessment or fine distribution prior to dispute resolution proceedings,
    c. Recommend criteria changes necessary for enforcement of mandatory compliance and in response to unclear enforcement provisions of criteria, and
    d. Grant specific additional authority to the Staff’s compliance monitoring function when needed to perform challenging investigations.

5.5 Finance Working Group
The Finance Working Group reports to and is subject to the control of the Board of Directors with three representatives named by the Board of Directors. This Working Group shall oversee SPP finances and shall:
    a. Review a preliminary budget prepared by the SPP Staff and recommend an annual budget for consideration of the Board of Directors,
b. Review quarterly statements of actual expenses versus budget and make reports to the Board of Directors,
c. Review the annual audit and make a report to the Board of Directors, and
d. Provide guidance to the Staff in finance decisions.

6.0 NORTH AMERICAN ELECTRIC RELIABILITY COUNCIL
SPP participates as a regional organization in NERC activities. The Board of Directors shall appoint representatives to NERC organizational groups as necessary. SPP may pay associated travel expenses of these representatives upon receipt by the President of an expense report as normally filed within the representative’s system.

7.0 FISCAL ADMINISTRATION
All Members shall provide financial support to pay all costs and expenses authorized by the Board of Directors. The fiscal year shall coincide with the calendar year.

7.1 Operating Budget
The President shall work with the Finance Working Group in preparing a budget of expenditures for the purposes of operation of SPP as set forth herein for the next fiscal year and including an estimate for an additional two years. The proposed budget shall be submitted to the Board of Directors not less than two weeks prior to the meeting at which the budget is to be considered for approval. Once approved by the Board of Directors, the budget shall constitute the authority for expenditures for the ensuing year.

7.2 Assessments
The regional transmission service administration fee shall be set by the Board of Directors to attempt to recover 80% of the SPP annual budget. Every month, the President shall notify each Member in writing of its monthly assessment for actual incurred expenses for the previous month, less income from regional transmission service administration fees. Each Member will be assessed a prorated share of these expenses based on the following formula:

\[ A = [0.25(1/N) + 0.75(B/C)]X, \]

where:
- \( A \) = Assessment to Member,
- \( N \) = Total number of Members,
- \( B \) = The Member’s previous year Net Energy for Load within SPP,
- \( C \) = Total of factor B for all Members, and
- \( X \) = Actual incurred SPP expenses in the previous calendar month, less the total of all use fees in the previous calendar month pursuant to administration of the regional transmission service tariff.

January 1, 2000
Each Member shall deposit its assessment with SPP no later than thirty days after the receipt of such notification. If any Member fails to deposit the full amount within forty days of notification of the amount assessed, it shall be deemed delinquent and shall be reported to the Board of Directors for appropriate action. The Board of Directors may grant reasonable extensions of time for such deposit.

7.3 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 Working Group.

7.4 Working Capital
Each Member will be assessed and shall maintain on deposit with SPP its prorated share of working capital based on its assessment share. The total amount of working capital shall be approximately equal to one sixth of the approved budget for the ensuing fiscal year, and shall be adjusted as needed by the Board of Directors.

7.5 Auditors
The Board of Directors shall each year designate a firm of certified public accountants to act as auditors for SPP for the current fiscal year. The fiscal records of SPP shall be audited annually and the results reported to the Board of Directors at its spring meeting.

8.0 AMENDMENTS
Except for modifications to Section 4.0, BOARD OF DIRECTORS, these Bylaws may be amended, repealed, or added to in the same manner as any other business before the SPP organizational structure, culminating with approval of the Board of Directors. Section 4.0 of these Bylaws and the Articles of Incorporation may be amended, repealed, or added to only by approval of the Membership.

9.0 EFFECTIVE DATE AND TRANSITION PROVISIONS
Except for provisions of Section 4.2 pertaining to independent directors, these Bylaws shall become effective January 1, 2000 and remain in force thereafter as may be amended. These Bylaws hereby cancel and supersede SPP Bylaws dated July 20, 1999; 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 under these Bylaws are hereby assumed and confirmed as obligations of SPP under January 1, 2000
Southwest Power Pool, Inc.

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these Bylaws. The terms of all officers and directors elected or appointed, all organizational group
assignments, and all scheduled meetings made under these Bylaws shall be assumed under these Bylaws.

As soon as practical following the effective date of these Bylaws, the Board of Directors shall commence a
process for the nomination of independent directors pursuant to Section 4.2, who shall be elected at a
Meeting of Members to be held just prior to the May 2000 meeting of the Board of Directors.
SOUTHWEST POWER POOL

MEMBERSHIP AGREEMENT

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Membership Agreement

This Agreement is made between and among the Members and SPP, as defined herein.

1.0 Definitions
   1.1 Agreement
   This Membership Agreement.

   1.2 Board of Directors
   The Board of Directors elected consistent with SPP's Bylaws.

   1.3 Bylaws
   SPP's Bylaws or any successor document.

   1.4 Distribution Facilities
   Facilities which are the subject of a separate distribution charge pursuant to the Transmission Tariff.

   1.5 Effective Date
   For each Member, this Agreement is effective on January 1, 2000 or upon the date of execution by that Member if after January 1, 2000.

   1.6 Electric Transmission System
   The transmission facilities subject to SPP's tariff administration except for any Distribution Facilities.

   1.7 FERC

   1.8 Good Utility Practice

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Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act, to the exclusion of all others, but rather to be a range of acceptable practices, methods, or acts generally accepted in the region. SPP Criteria and NERC Policies and Standards are considered Good Utility Practice.

1.9 Members
Signatories to this Agreement that have completed the application requirements pursuant to the Bylaws.

1.10 NERC
North American Electric Reliability Council or successor organizations.

1.11 Non-Transmission Owner
Those signatories which are not Transmission Owners under this Agreement.

1.12 Security Coordinator
SPP in performing its security coordinator function as recognized by NERC pursuant to its policies, pursuant to SPP Criteria and pursuant to this Agreement.

1.13 SPP
Southwest Power Pool, Inc., its officers, employees and agents. This definition does not include the Board of Directors.

1.14 SPP Criteria
SPP’s approved operating and planning criteria.

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1.15 SPP Region
The geographic area encompassing the transmission systems of SPP Transmission Owners.

1.16 Standards of Conduct
SPP's Standards of Conduct which apply to conduct of independent board directors, officers, employees, and consultants.

1.17 Tariff Facilities
The transmission facilities and Distribution Facilities subject to SPP's tariff administration.

1.18 Transmission Customer
A customer under the Transmission Tariff.

1.19 Transmission Owner
A signatory to this Agreement which appoints SPP as its agent to provide service under the Transmission Tariff over Tariff Facilities which it owns or controls.

1.20 Transmission Tariff
The nondiscriminatory, open-access transmission service tariff on file with the FERC pursuant to Section 205 of the Federal Power Act under which SPP will offer transmission service, or any such nondiscriminatory successor tariff.

2.0 Rights, Powers And Obligations Of Southwest Power Pool
SPP possesses the rights, powers, and obligations as detailed in this Section 2.

2.1 Operation and Planning

2.1.1 General
a. SPP is authorized by the Transmission Owners pursuant to this Agreement to schedule transactions and to administer transmission service over Tariff Facilities as an agent of the Transmission Owners as necessary to provide service in accordance with the SPP
Southwest Power Pool

Transmission Tariff. SPP shall not operate or direct the operation of the Tariff Facilities except in its role as Security Coordinator.

b. SPP shall function in accordance with Good Utility Practice and shall conform to applicable reliability criteria, policies, standards, rules, regulations, guidelines and other requirements of SPP and NERC, each Transmission Owner's specific reliability requirements and operating guidelines (to the extent these are not inconsistent with other requirements specified in this paragraph), and all applicable requirements of federal and state regulatory authorities.

c. SPP shall maintain a publicly available registry of all facilities that constitute the Electric Transmission System.

d. SPP shall review and approve, as appropriate, requests for service and schedule transmission transactions and shall determine available transfer capability under the Transmission Tariff; provided that SPP shall coordinate with affected Transmission Owners when processing requests for service involving such Transmission Owners' Tariff Facilities.

e. SPP shall be responsible for coordinating with neighboring regional organizations as appropriate.

f. SPP shall not exercise its administration of transmission service over the Tariff Facilities in such a way as to interfere with rights of Transmission Owners or Transmission Customers in contracts between a Transmission Owner and a Transmission Customer that are in effect as of the Effective Date of this Agreement except as permitted by the Transmission Tariff.

g. SPP shall be responsible for documenting all transmission service requests, the disposition of such requests, and any supporting data required to support the decision with respect to such requests. SPP shall negotiate as appropriate to develop reciprocal service, equitable tariff application, compensation principles, and any related arrangements.

h. SPP shall propose and file modifications with FERC to the Transmission Tariff and to make any other necessary filings subject to necessary Board of Directors approval for those filings that the Board requires be brought to it for its approval pursuant to the provisions of Section 2.2.1 and subject to reserved Transmission Owner rights pursuant to Section 3.10.

i. SPP shall develop penalties and incentives, subject to FERC filings where appropriate.

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j. SPP shall direct Transmission Owners pursuant to the provisions of Section 3.3 to construct transmission facilities in accordance with coordinated planning criteria or if necessary under the Transmission Tariff.

k. SPP shall take any actions necessary for it to carry out its duties and responsibilities subject to receiving any necessary regulatory approvals and any necessary approvals by the Board of Directors.

2.1.2 Reliability

SPP shall have responsibility for reliability of the Electric Transmission System in connection with its rights, powers, and obligations under this Agreement. SPP shall act as the Security Coordinator of the Electric Transmission System, and as such, shall have security monitoring and emergency response responsibilities pursuant to related SPP Criteria and the following requirements:

a. SPP shall monitor real-time data to determine whether any control areas are experiencing generation capacity deficiencies. If a generation capacity deficiency event threatens the security of the Electric Transmission System, SPP shall be authorized to and shall direct the acquisition of generation capacity and, if that direction is not satisfied, the shedding of firm load in the deficient control area.

b. SPP shall work with other security coordinators to develop regional security plans and emergency operating procedures.

c. SPP shall maintain emergency response procedures for responding to specified critical contingencies and shall continuously analyze issues that may require the initiation of such actions.

d. SPP is authorized to and shall direct the response to any emergency and Members shall carry out the required emergency actions as directed by SPP (except in cases involving endangerment to the safety of employees or the public), including the shedding of firm load if required for regional security.

e. After the conclusion of an emergency condition, any affected entity that disagrees with SPP's handling of the emergency may resolve that disagreement pursuant to SPP's dispute resolution procedures.

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f. SPP shall monitor and coordinate the maintenance of adequate Electric Transmission System voltage levels with control areas and Transmission Owners, where appropriate.

g. SPP shall direct redispatch of generation in accordance with the Transmission Tariff subject to the generator receiving appropriate compensation pursuant to an applicable rate schedule.

2.1.3 Transmission Maintenance

Coordination with SPP is required for all planned maintenance of Tariff Facilities consistent with the following requirements:

a. SPP shall review planned transmission maintenance schedules submitted by Transmission Owners for a minimum of a rolling one-year period. These planned maintenance schedules shall be updated daily. Planned transmission maintenance requests shall be submitted to SPP at least one week in advance of an outage.

b. SPP shall analyze such planned transmission maintenance requests to determine their effect on available transfer capability, ancillary services, the security of the Electric Transmission System, and any other relevant effects. Within two business days of receiving a planned maintenance request, SPP shall provide a response. If SPP's response indicates that such planned transmission maintenance will have an adverse impact, Transmission Owners shall work with SPP to minimize the impact of such planned maintenance.

c. SPP shall notify Transmission Owners of the need to change previously-reviewed planned transmission maintenance outages if forced transmission outages or other circumstances compromise the integrity or reliability of the Electric Transmission System. If the Transmission Owners are fully compensated for any additional costs resulting from any changes in maintenance schedules as provided in an applicable rate schedule, the Transmission Owners shall revise maintenance outages to address such emergency circumstances.

d. As part of its review process, SPP shall identify planned transmission maintenance schedules that limit available transfer capability. If requested by a Transmission Customer, SPP shall identify opportunities and associated costs for rescheduling planned maintenance to enhance available transfer capability. Transmission Owners shall be compensated for the additional costs of rescheduled maintenance as provided in an applicable rate schedule.

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e. SPP shall be responsible for documenting all planned transmission maintenance requests, the disposition of those requests, and all data supporting the disposition of each request.
f. SPP shall coordinate with Transmission Owners to the extent practicable to implement schedules for unplanned transmission maintenance when conditions endanger the safety of employees or the public, may result in damage to facilities, or may result in the unsatisfactory operation of the Transmission Owner’s transmission system or any other transmission system.

2.1.4 Generation Maintenance

SPP shall coordinate the maintenance of generating units as appropriate to the extent such generation maintenance directly affects the capacity or reliability of the Electric Transmission System and the generation is located in the SPP Region as follows:
a. SPP shall review planned generating unit maintenance schedules submitted by generators or generation owners for a minimum of a rolling one-year period. The planned maintenance schedules shall be updated daily. SPP shall keep such information confidential.
b. SPP shall analyze a planned generating unit maintenance schedule to determine its effect on available transfer capability, ancillary services, the security of the Electric Transmission System, and any other relevant effects. SPP shall inform a generator or generation owner if its maintenance schedule is expected to have an impact on the security of the Electric Transmission System.
c. As part of its review process, SPP shall identify generating unit maintenance schedules that limit available transfer capability and shall identify opportunities and associated costs for rescheduling planned maintenance to enhance available transfer capability.
d. The owner of any generator that changes planned maintenance as a result of SPP review or coordination pursuant to this Section 2.1.4 shall be compensated fully for additional costs associated with rescheduling such planned generation maintenance in accordance with an applicable rate schedule.
e. SPP shall be responsible for documenting all planned generating unit maintenance schedules, all schedule changes, and all SPP studies and services performed with respect to planned generation maintenance.
2.1.5 Planning Activities

SPP shall engage in such planning activities, in coordination with affected Transmission Owners and other Members, as are necessary to fulfill its obligations under this Agreement, SPP Criteria and the Transmission Tariff. Such planning shall conform to applicable reliability requirements of SPP, the North American Electric Reliability Council, or any successor organizations, each Transmission Owner's specific reliability requirements and operating guidelines (to the extent these are not inconsistent with other requirements), and all applicable requirements of federal or state regulatory authorities. Such planning shall seek to minimize costs, consistent with the reliability and other requirements set forth in this Agreement. The division of responsibility for planning between Non-Transmission Owners, Transmission Owners, and SPP is set forth in SPP Criteria.

2.2 Non-Discriminatory Transmission Service

SPP shall offer and administer transmission service over Tariff Facilities as specified in the Transmission Tariff.

2.2.1 Pricing

In connection with its administration of the Transmission Tariff, SPP on behalf of its Members may propose to the FERC such transmission pricing for transmission service as is necessary to fulfill its obligations under this Agreement, and may propose to the FERC such changes in prices, pricing methods, terms, and conditions as are necessary to continue to fulfill such obligations. Board of Directors approval of such filings is required for any matters that the Board deems as appropriate for its consideration and approval. The Transmission Tariff rates shall be designed and administered so as to recover full cost of service to the greatest extent practicable associated with the provision of transmission service under the Transmission Tariff for Tariff Facilities. Notwithstanding the foregoing, each Transmission Owner possesses the right to revise certain rates as provided in Section 3.10 of this Agreement.

2.2.2 Standards of Conduct

SPP, its independent directors, officers, employees, contractors, and agents shall adhere to the SPP Standards of Conduct.
2.2.3 OASIS
SPP shall administer an Open Access Same-time Information System (OASIS) or successor systems for administration of transmission service. The OASIS, or any successor system, shall conform to the requirements for such systems as specified by the FERC.

2.2.4 Ancillary Services
SPP, as part of the Transmission Tariff, shall facilitate the provision of such ancillary services as are required to be offered by the FERC.

2.2.5 Transmission Service Scheduling
a. SPP shall schedule and curtail transmission service in accordance with the Transmission Tariff.
b. SPP shall, in consultation with Members, develop and from time-to-time amend when necessary, detailed scheduling protocols and procedures for service under the Transmission Tariff, which shall be provided to all Members and be made publicly available.

2.3 Responsibilities of Southwest Power Pool to Transmission Owners
SPP shall administer transmission service and receive and distribute revenues to Transmission Owners as their agent in accordance with the Transmission Tariff and this Agreement. Notwithstanding the foregoing, SPP shall act pursuant to the direction of the Board of Directors except that neither the Board of Directors nor SPP may take any action which interferes with the following obligations:
a. In performing their obligations under this Agreement, SPP, and the Board of Directors shall use their individual and collective best efforts to avoid damage to the Tariff Facilities or any property of the Transmission Owners or Non-Transmission Owners affected by SPP activities.
b. SPP shall distribute revenues to the Transmission Owners in accordance with the Transmission Tariff.

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c. In discounting transmission services in accordance with the Transmission Tariff, it shall be the duty of SPP to use best efforts to maximize transmission service revenues associated with such transmission services.

2.4 Additional Obligations of SPP

2.4.1 Inspection and Auditing Procedures
SPP shall grant each Member, their employees, agents, or external auditors, and federal and state regulatory authorities having jurisdiction over SPP or any Member, such access to SPP's books and records as is necessary to verify compliance by SPP with this Agreement and to audit and verify transactions under this Agreement. Such access shall be at reasonable times and under reasonable conditions. SPP shall also comply with the reporting requirements of federal and state regulatory authorities having jurisdiction over SPP with respect to the business aspects of its operations. Contacts between officers, employees, and agents of any Member and those of SPP shall comply with the Standards of Conduct.

2.4.2 Stranded Cost Recovery Charges
SPP shall collect and distribute, as appropriate, any stranded cost recovery charges pursuant to applicable schedules accepted by appropriate regulatory entities.

3.0 Commitments, Rights, Powers, And Obligations Of Transmission Owners and Non-Transmission Owners
Transmission Owners and Non-Transmission Owners have made the following commitments, and shall have the following rights and shall be responsible for the following functions some of which apply only to Transmission Owners, some only to Non-Transmission Owners, and some to both. In order to be considered as a Transmission Owner under this Agreement, each Member intended to be a Transmission Owner shall identify itself as a Transmission Owner when executing this Agreement. A non-Transmission Owner under this Agreement owning or controlling Tariff Facilities may have its status changed to a Transmission Owner under this Agreement upon notice to SPP and execution of this Agreement as a Transmission Owner.

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a. Each Transmission Owner authorizes SPP to act as its agent (i) in providing transmission service under the Transmission Tariff over that Transmission Owner's Tariff Facilities; and (ii) in receiving funds from Transmission Customers relating to transmission service over Tariff Facilities and in distributing funds to it.

b. Transmission Owners and Non-Transmission Owners, if they own generators within the SPP Region which directly affect the capacity or reliability of the Electric Transmission System, shall offer to provide the ancillary services required under the Transmission Tariff at rates approved by regulatory authorities, where appropriate to the extent such generators are able to provide such ancillary services.

c. Transmission Owners shall operate and maintain their Tariff Facilities subject to the requirements of this Agreement.

d. Transmission Owners that are control area operators shall continue to operate their control areas for local generation control and economic dispatch, and shall be responsible for identifying and addressing local problems in a secure and reliable manner.

e. Transmission Owners shall provide transmission service over their Tariff Facilities at the direction of SPP pursuant to the terms of the Transmission Tariff.

f. Members agree to comply with instructions of SPP in its role as Security Coordinator.

g. Transmission Owners shall retain all rights of ownership including legal and equitable title in their Tariff Facilities, subject to the provisions of this Agreement. Nothing in this Agreement shall be deemed to restrict or prohibit access to their Tariff Facilities by the Transmission Owners, or those acting under their authority, consistent with the provisions of this Agreement.

h. Notwithstanding any other provision in this Agreement, no Transmission Owner shall be obligated or be considered as allowing transmission over its facilities if such transmission would cause the loss of the tax exempt status of any Transmission Owner or any bonds or other debt of a Transmission Owner.

3.1 Redispatch, and Curtailment

Each Member which owns or controls generation shall follow the directions of SPP in its role as Security Coordinator, in redispatching generation if such generation directly affects the reliability and capability of the Electric Transmission System and if it is located within the SPP Region.
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Each Member also shall follow the directions of SPP to effectuate curtailment of load, if so directed by SPP, its role as Security Coordinator or as administrator of the Transmission Tariff. Members shall submit and coordinate with SPP unit schedules and must-run units within the SPP Region that affect Electric Transmission System capability or reliability. Members providing such redispatch shall receive appropriate compensation in accordance with appropriate rate schedules and market conditions, if applicable.

3.2 Transmission and Generation Maintenance Practices

Each Transmission Owner shall maintain its Tariff Facilities in accordance with Good Utility Practice. Each Member shall maintain its generation facilities subject to this Agreement in accordance with Good Utility Practice. Transmission Owners shall coordinate maintenance on their Tariff Facilities in accordance with Section 2.1.3 of this Agreement. Members owning or controlling generation facilities within the SPP Region directly affecting Electric Transmission System capability or reliability shall coordinate maintenance of such facilities with SPP in accordance with Section 2.1.4 of this Agreement.

3.3 Construction

a. Each Transmission Owner shall use due diligence to construct transmission facilities as directed by SPP in accordance with the Transmission Tariff, subject to such siting, permitting, and environmental constraints as may be imposed by state, local and federal laws and regulations, and subject to the receipt of any necessary federal or state regulatory approvals. Such construction shall be performed in accordance with Good Utility Practice, applicable SPP Criteria, industry standards, each Transmission Owner's specific reliability requirements and operating guidelines (to the extent these are not inconsistent with other requirements), and in accordance with all applicable requirements of federal or state regulatory authorities. Each Transmission Owner shall be fully compensated to the greatest extent permitted by FERC, or other regulatory authority for the costs of construction undertaken by such Transmission Owner in accordance with the Transmission Tariff.

b. After a new transmission project has been approved, SPP will direct the appropriate Transmission Owners to begin implementation of the project. If the project forms a connection
between facilities of a single Transmission Owner, that Transmission Owner will be designated to provide the new facilities. If the project forms a connection between facilities owned by two different Transmission Owners or between a new facility and the facilities of a Transmission Owner, both entities will be designated to provide the new facilities. The two entities will agree between themselves how much of the project will be provided by each entity. If agreement cannot be reached, SPP will facilitate the ownership determination process.

c. A designated provider for a project can elect to arrange for a new entity or another existing Transmission Owner to build and/or own the project in their place. If a designated provider or providers do not or cannot agree to implement the project in a timely manner, SPP will solicit and evaluate proposals for the project from other entities and select a replacement designated provider.

3.4 Use of Distribution Facilities
Each Transmission Owner shall provide such service over its Distribution Facilities, where applicable, as is necessary to effectuate transmission transactions administered by SPP, at approved rates, and subject to a separate tariff or agreement as appropriate.

3.5 Providing Information
Each Member shall provide such information to SPP as is necessary for SPP to perform its obligations under this Agreement and the Transmission Tariff and for planning and operational purposes. Such information may be treated as confidential when so designated by the providing member so long as its designation is reasonable.

3.6 Facilities Access
Each Transmission Owner shall allow SPP, such access to Tariff Facilities as is necessary for SPP to perform its obligations under this Agreement. Such access shall be at reasonable times and under reasonable conditions.

3.7 Inspection and Auditing Procedures
Each Transmission Owner shall grant SPP and each regulatory authority having jurisdiction over that Transmission Owner, such access to the Transmission Owner's books and records as is necessary for SPP to perform its obligations under this Agreement and to audit and verify transactions under this Agreement. Such access shall be at reasonable times and under reasonable conditions. A Transmission Owner shall not be required to provide access to confidential information unless it consents, its consent not to be unreasonably withheld. Such Transmission Owner may require reasonable disclosure conditions before giving its consent. Disclosure of confidential information shall be made consistent with such disclosure conditions or in accordance with any effective order requiring production of such confidential information issued by a court or regulatory authority. SPP shall provide the affected Transmission Owner immediate notice of any request by an entity to review any such confidential information.

3.8 Compliance with Bylaws and Other Policies and Procedures
a. Each Member agrees to and will comply with and abide by the provisions of the SPP Bylaws.
b. Each Member shall comply with all approved and applicable SPP and NERC policies, principles, criteria, standards, and guides and monitoring and certification procedures.
c. Members who are also members of another NERC regional reliability council may, at their request and upon approval of the President, be granted a waiver of responsibilities associated with SPP Criteria and/or Bylaws that are duplicative of or inconsistent with responsibilities of membership in another council. Members receiving such a waiver agree to forgo voting privileges on issues before any organizational group pertaining to waived responsibilities.

3.9 Planning and Participation
Each Member shall be entitled to participate and each Transmission Owner shall participate in regional joint planning and coordinated operation of the Electric Transmission System.

3.10 Pricing
Each Transmission Owner shall possess the unilateral right to file with FERC to change the rates or rate structure for transmission service over its Tariff Facilities and to submit proposals or filings governing new construction with FERC; provided, however, a Transmission Owner
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may not submit a proposal which results in a Transmission Customer paying two or more transmission charges for transmission for one transaction under the Transmission Tariff involving Tariff Facilities (excluding Distribution Facilities for which an additional charge may be imposed and Grandfathered Agreements as defined in the Transmission Tariff). No SPP approval is required for such filings though the Transmission Owner shall notify SPP in advance of the filing of its intention to submit a filing with FERC and provide SPP with a copy of the filing.

4.0 Withdrawal of Transmission Owners' Facilities and Withdrawal by Non-Transmission Owners

4.1 Withdrawal Notice

4.1.1 Transmission Owners

A Transmission Owner may, upon submission of a written notice of withdrawal to the President, commence a process of withdrawal of its Tariff Facilities from SPP's administration. Such withdrawal shall not be effective until October 31 of the calendar year following the calendar year in which notice is given; provided that the Transmission Owner must provide at least 12 months notice. With regard to any such withdrawal by a FERC public utility, the withdrawing Transmission Owner's withdrawal shall not become effective until FERC has accepted the notice of withdrawal or otherwise allowed such withdrawal. At the time the withdrawal becomes effective and unless otherwise requested by the withdrawing Transmission Owner, it shall be classified as a Non-Transmission Owner under this Agreement. If such withdrawal of facilities creates a situation in which a second Transmission Owner is no longer physically interconnected with the Electric Transmission System, SPP shall determine if such withdrawal affects the ability of such second Transmission Owner to continue its membership as a Transmission Owner.

4.1.2 Non-Transmission Owners

Non-Transmission Owners may withdraw upon providing written notice to the President. Such withdrawal shall not be effective until October 31 of the calendar year following the calendar year in which notice is given. Non-Transmission Owners withdrawing shall pay all Existing Obligations as defined in Section 4.2.2.

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4.2 Effect of Withdrawal on Contractual Obligations

This Section 4.2 applies to withdrawals under both Sections 4.0 and 5.0 of this Agreement as well as any termination pursuant to Section 6.0.

4.2.1 Users Held Harmless

Transmission Customers taking service which involves facilities being withdrawn by a Transmission Owner from SPP's administration and which involves transmission contracts executed before the Transmission Owner provided notice of its facilities withdrawal shall continue to receive the same service for the remaining term of the contract at the same rates, terms, and conditions that would have been applicable if there were no withdrawal of facilities. The withdrawing Transmission Owner shall agree to continue providing service to such Transmission Customers, and shall receive revenues calculated in accordance with the Transmission Tariff but no more in revenues for that service than if there had been no withdrawal of facilities by such Transmission Owner.

4.2.2 Existing Obligations

All financial obligations incurred and payments applicable to time periods prior to the effective date of such withdrawal shall be honored by SPP and the withdrawing Member. The withdrawing Member's existing obligations shall include, as calculated pursuant to the SPP Bylaws, all costs or expenses incurred up until the date withdrawal becomes effective. The withdrawing Member shall pay such costs or expenses it owes within 30 days after receiving an invoice from SPP. SPP shall pay the withdrawing Member any monies it owes that Member within 30 days after the withdrawal became effective. The withdrawing Member or SPP may net the amounts due it by any amounts it owes.

4.2.3 Construction of Facilities

Obligations relating to the construction of new facilities pursuant to an approved plan of SPP shall be renegotiated between SPP and the withdrawing Member, where applicable. If such
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obligations cannot be resolved through negotiations, they shall be resolved in accordance with SPP dispute resolution procedures.

4.2.4 Regulatory and Other Approvals or Procedures
The withdrawal by a Transmission Owner of its facilities from SPP shall also be subject to applicable federal and state law and regulatory approvals or procedures.

5.0 Regulatory, Tax, And Other Authorities

5.1 Regulatory and Other Authorities
This Agreement and the participation of the signatories is subject to acceptance or approval by the FERC and may be subject to actions of respective state regulatory authorities to which respective signatories may be subject and to the actions of any other governmental body which may affect the ability of any signatory to participate in this Agreement. The following items describe the signatories' rights and obligations in the event regulatory and other approvals or acceptances are not obtained or changes are required.

a. In the event the FERC disapproves or refuses to accept this Agreement or the changes to the Transmission Tariff developed together with this Agreement, then this Agreement shall cease to be effective except that the signatories shall be obligated to attempt expeditiously and in good faith to negotiate a substitute agreement and tariff which address the reasons for such FERC action. If, despite such good faith negotiation, the signatories are unable to produce such a substitute agreement and tariff, then the signatories shall have no further obligations under this Agreement or any filing associated herewith.

b. In the event of any order or decision by the FERC or by a court modifying this Agreement or the Transmission Tariff submitted as part of the initial filing seeking FERC acceptance or approval, that in the judgment of the Member adversely affects it, then such Member, at its sole discretion, may withdraw from this Agreement by providing written notice to the President of SPP no later than thirty days after such order or decision without receiving any FERC authorization. In such event, the Member will in good faith negotiate to determine whether changes should be made to the Agreement or Transmission Tariff to address the reasons for such Member's withdrawal.

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5.2 Tax Authorities
If the Internal Revenue Service or any other federal, state, or local taxing authority issues, or
fails to issue, any ruling, or imposes any requirement or obligation, in connection with this
Agreement on any Member, adverse to such Member (in its sole judgment) or if participating as
a Transmission Owner or Member jeopardizes the tax exempt status of any Transmission
Owner or Member or any Transmission Owner's or Member's bonds, then such Transmission
Owner or Member may, within 30 days of the date of such final order, or a good faith belief of
such adverse consequences, withdraw from this Agreement subject to receiving any necessary
regulatory approvals. In such event, the signatories, including the withdrawing party, will, in
good faith, negotiate to determine whether changes should be made to the Agreement to
address the reasons for such signatory's withdrawal.

5.3 Effectiveness as to Certain Members
The effectiveness of this Agreement as to a Member which is a governmental entity and which
has outstanding tax-exempt bonds issued to finance, in whole or in part, generation,
transmission, or distribution facilities is dependent upon satisfaction or written waiver of the
following conditions precedent:

a. Receipt of an unqualified opinion of a qualified bond counsel to the effect that the provisions
of this Agreement do not adversely affect the exclusion from gross income of interest on any
such outstanding bonds issued to finance generation, transmission, and distribution facilities
under the Internal Revenue code of 1986, as amended;

b. Receipt of an unqualified opinion of a nationally recognized bond counsel and general
counsel to such governmental entity to the effect that the provisions of this Agreement do not
constitute a breach or impairment of, or a default under, any agreement to which such
governmental entity is a party, including, but not limited to, its master bond resolution, as
amended, and any power sales contracts with its municipal transmission users (if any), as
amended, or other agreements;
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6.0 Removal Of Members
The Board of Directors may terminate the Membership of any Member for cause including, for example, violation of the SPP Bylaws or nonpayment. Such Board of Directors termination shall be after an affirmative vote consistent with the voting procedures in SPP's Bylaws. A Member terminated by the Board shall comply with the requirements of Section 4.2 of this Agreement as if it has voluntarily withdrawn from the Agreement.

7.0 Effective Date, Duration, And Transition
a. This Agreement shall be effective for any signatory on the Effective Date and shall remain in force until the Member's withdrawal becomes effective under this Agreement or this Agreement is terminated. In the event of termination of this Agreement, all financial obligations incurred and payments applicable to time periods prior to the effective date of such termination shall be honored by SPP and each Member as of the date of termination. In addition, all obligations incurred pursuant to Section 4.2 of this Agreement shall survive such termination.

b. For any Member that prior to the Effective Date of this Agreement executed an agency agreement and/or a membership agreement with SPP, upon the Effective Date of this Agreement those prior agreements shall be considered terminated between the Member and SPP.

8.0 Miscellaneous Provisions

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8.1 Governing Law
This Agreement shall be interpreted, construed, and governed by the laws of the State of Arkansas, except to the extent preempted by the law and/or unless a court with jurisdiction rules otherwise, provided, however, that all matters relating to real property or any interest in realty shall be governed by the laws of the State wherein such real property or interest in realty is physically located.

8.2 Successors and Assigns
This Agreement shall inure to the benefit of, and be binding upon Members, their respective successors and assigns permitted hereunder, but shall not be assignable by a Member, by operation of law or otherwise, without the approval of the Board of Directors which approval shall not be unreasonably withheld, except that no Board of Directors approval is required as to a successor in the operation of the Transmission Owner’s Tariff Facilities committed to administration by SPP by reason of a merger, consolidation, reorganization, sale, spin-off, or foreclosure, as a result of which substantially all such transmission facilities are acquired by such successor, and such successor becomes a Transmission Owner under this Agreement.

8.3 No Implied Waivers
The failure of a Member or SPP to insist upon or enforce strict performance of any of the specific provisions of this Agreement at any time shall not be construed as a waiver or relinquishment to any extent of such Member’s or SPP’s right to assert or rely upon any such provisions, rights, or remedies in that or any other instance, or as a waiver to any extent of any specific provision of this Agreement; rather the same shall be and remain in full force and effect.

8.4 Severability
Each provision of this Agreement shall be considered severable, and if for any reason any provision of this Agreement, or the application thereof to any person, entity, or circumstance, is determined by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, then the remaining provisions of this Agreement shall continue in full force and effect.

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effect and shall in no way be affected, impaired, or invalidated, and such invalid, void, or unenforceable provision shall be replaced with a suitable and equitable provision in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid, void, or unenforceable provision. This Section 8.4 does not modify or change in any way the right of a Member to withdraw as provided elsewhere in this Agreement.

8.5 Renegotiation
If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, then Members and SPP shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification, or condition. If after sixty days such negotiations are unsuccessful, then Members or SPP may exercise any individual or collective withdrawal or termination rights available under Sections 4 and 5 of this Agreement.

8.6 Representations and Warranties
Each Member and SPP represents and warrants to other signatories that as of the later of the date it executes this Agreement or the Effective Date of this Agreement:

a. It is duly organized, validly existing, and in good standing under the laws of the jurisdiction where organized.

b. Subject to any necessary approvals by federal or state regulatory authorities of SPP, the execution and delivery by each Member and SPP of this Agreement, and the performance of its obligations hereunder have been duly and validly authorized by all requisite action on the part of the signatories and do not conflict with any applicable law or with any other agreement binding upon the signatories, other than third party joint agreements covered in this Agreement. This Agreement has been duly executed and delivered by Members and SPP, and, subject to the conditions set forth in this Agreement, constitutes the legal, valid, and binding obligation on the part of each Member and SPP, enforceable against it in accordance with its terms except

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insofar as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, or other similar laws affecting the enforcement of creditor's rights generally, and by general principles of equity regardless of whether such principles are considered in a proceeding at law or in equity.

c. There are no actions at law, suits in equity, proceedings, or claims pending or, to the knowledge of each Member or SPP, threatened against the Members or SPP before or by any federal, state, foreign or local court, tribunal, or governmental agency or authority that might materially delay, prevent, or hinder the performance by such entity of its obligations hereunder.

8.7 Further Assurances
Each Member and SPP agree that it shall hereafter execute and deliver such further instruments, provide all information, and take or forbear such further acts and things as may be reasonably required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with the provisions of this Agreement.

8.8 Delivery of Notices
Except as otherwise expressly provided herein, notices required under this Agreement shall be in writing and shall be sent to each Member or SPP by U.S. mail, overnight courier, hand delivery, facsimile, or other reliable electronic means. Any notice required under this Agreement shall be deemed to have been given either upon delivery, if by U.S. mail, overnight courier, or hand delivery, or upon confirmation, if given by facsimile or other reliable electronic means.

8.9 Entire Agreement
This Agreement, the Bylaws, SPP Criteria, and the Transmission Tariff, and their duly approved replacements, constitute the entire agreement among Members and SPP with respect to the subject matter of this Agreement, and no previous oral or written representations, agreements, or understandings made by any officer, agent, or employee of any Member or SPP shall be binding on any such Member or SPP unless contained in this Agreement, the Bylaws, SPP Criteria, the Transmission Tariff, or the Agency Agreement.

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8.10 Good Faith Efforts
Each Member and SPP agree that it shall in good faith take all reasonable actions necessary to permit it and other signatories to fulfill their obligations under this Agreement. Where the consent, agreement, or approval of any Member or SPP must be obtained hereunder, such consent, agreement, or approval shall not be unreasonably withheld, conditioned, or delayed. Where any Member or SPP is required or permitted to act, or omit to act, based on its opinion or judgment, such opinion or judgment shall not be unreasonably exercised. To the extent that the jurisdiction of any federal or state regulatory authority applies to any part of this Agreement and/or the transactions or actions covered by this Agreement, each Member and SPP shall cooperate with all other signatories to secure any necessary or desirable approval or acceptance of such regulatory authorities of such part of this Agreement and/or such transactions or actions.

8.11 Third Party Joint Agreements
This Agreement, the Bylaws, and the Transmission Tariff shall not be construed, interpreted, or applied in such a manner as to cause any Transmission Owner to be in material breach, anticipatory or otherwise, of any agreement (in effect on the later of the Effective Date of this Agreement or the date that it becomes a Transmission Owner under this Agreement) between such Transmission Owner and one or more third parties who are not signatories (regardless of the inclusion of one or more other Transmission Owners as parties to such agreement) for the joint transmission, operation, or maintenance of any electrical facilities covered by this Agreement or the Transmission Tariff. A Transmission Owner who has such a third party joint agreement shall discuss with the Board of Directors any material conflict between such third party joint agreement and this Agreement, the Bylaws or the Transmission Tariff raised by a third party to such joint agreement, but the resolution of such a conflict shall be and remains within the sole discretion of such signatory; provided, however, that such signatory shall, if otherwise unresolved, utilize the available remedies and dispute resolution procedures to resolve such conflict, including, but not limited to, submitting such conflict to the FERC for

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resolution; provided, further, that in no event shall such signatory enter into a resolution of such conflict which would impair the reliability of the Electric Transmission System.

8.12 Amendment
This Agreement may be amended by SPP’s Board of Directors, subject to receiving any necessary regulatory approvals. The signatories to this Agreement agree to be bound by this Agreement as it may be amended, provided that the signatories possess the right to challenge any amendments at FERC and to exercise any withdrawal rights that they possess under this Agreement if they are dissatisfied with the amendment.

8.13 Counterparts
This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument, binding upon all of the Members and SPP, notwithstanding that all such Members, and SPP may not have executed the same counterpart.
IN WITNESS WHEREOF, the Member and SPP have caused their duly authorized representatives to execute and attest this Agreement, on their respective behalves.

MEMBER:

THE EMPIRE DISTRICT ELECTRIC COMPANY

Name of Member

TRANSMISSION OWNER

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

Myron W. McKinney

Name of Authorized Representative

President and Chief Executive Officer

Title of Authorized Representative

Signature of Authorized Representative

August 19, 1999

Date of Execution

SOUTHWEST POWER POOL, INC.:

Nicholas A. Brown

Name of Authorized Representative

Vice President and Corporate Secretary

Title of Authorized Representative

Signature of Authorized Representative

July 26, 1999

Date
IN WITNESS WHEREOF, the Member and SPP have caused their duly authorized representatives to execute and attest this Agreement, on their respective behalves.

**MEMBER:**

Oklahoma Gas and Electric Company
Name of Member

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

Melvin D. Bowen, Jr.
Name of Authorized Representative

Vice President, Power Delivery
Title of Authorized Representative

Signature of Authorized Representative

8-3-99
Date of Execution

**SOUTHWEST POWER POOL, INC.:**

Nicholas A. Brown
Name of Authorized Representative

Vice President and Corporate Secretary
Title of Authorized Representative

Signature of Authorized Representative

July 26, 1999
Date
Southwest Power Pool

IN WITNESS WHEREOF, the Member and SPP have caused their duly authorized representatives to execute and attest this Agreement, on their respective behalves.

MEMBER:

Public Service Company of Oklahoma
Southwestern Electric Power Company

Name of Member

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

Preston Kissman
Name of Authorized Representative

Vice President Electric Delivery
Title of Authorized Representative

Signature of Authorized Representative

August 5, 1999
Date of Execution

SOUTHWEST POWER POOL, INC.:

Nicholas A. Brown
Name of Authorized Representative

Vice President and Corporate Secretary
Title of Authorized Representative

Signature of Authorized Representative

July 26, 1999
Date