2010: THE NUMBERS

As a Regional Transmission Organization (RTO), SPP is mandated by the Federal Energy Regulatory Commission to ensure reliable supplies of power, adequate transmission infrastructure, and a competitive wholesale electricity marketplace. SPP also serves as a Regional Entity of the North American Electric Reliability Corporation. SPP is a not-for-profit organization in which membership is voluntary.

- Administrative fee: 19.5¢/MWh
- Balancing Authorities:
  - Market: 15
  - Reliability Coordination: 29
  - Regional Transmission Organization: 15
- Budget (Operating): $127 M
- Demand response
  - Wholesale: ~1,500 MW (market footprint)
  - Retail: 419 MW (Regional Entity footprint)
- Generation capacity: 63,007
- Generation interconnection study queue: 16,092 MW
- Members: 61 in 9 states
- Population served: 15.5 million people
- Reserve margin (capacity): 12%
- Service territory: 370,000 sq. miles
- Substations: 6,101
- Transmission customer transactions: $698 million
- Transmission, miles by voltage:
  - 69 kV – 12,722
  - 115 kV – 10,143
  - 138 kV – 10,009
  - 161 kV – 5,097
  - 230 kV – 3,787
  - 345 kV – 7,079
  - 500 kV – 93
  - TOTAL – 48,930
- Wholesale Energy Market
  - 32 participants
  - 405 generating resources
  - 2010 transactions = $1.28 billion
  - Peak load (non-coincident): 45,526 MW on August 11
  - Energy consumption: 223,080 GWh
  - Wind in service: 3,836 MW

- Generation mix:
  - Gas/Oil: 42%
  - Coal: 40%
  - Dual Fuel: 6%
  - Hydro: 4%
  - Wind: 4%
  - Nuclear: 3%
  - Pumped Storage: .5%
  - Biomass: .5%

- Peak demand (forecast vs. actual):

1 Numbers are for the RTO footprint unless otherwise noted.
We are very excited about the immense progress Southwest Power Pool and our members made during 2010. Our new strategic plan, approved in July, identified three strategies for continued success: building a robust transmission system, developing efficient market processes, and creating member value. We have already taken huge strides toward these goals.

The construction process is underway for Priority Projects, a portfolio of upgrades that will bring benefits 1.5 times greater than their costs. These projects are a major step forward in building the transmission backbone the SPP footprint needs to improve reliability, reduce congestion, better integrate our east and west regions, improve members’ ability to deliver power, and facilitate the addition of new generation to the grid.

Our new Highway/Byway cost allocation methodology, approved by the Federal Energy Regulatory Commission (FERC) in June, is the result of incremental work by our state regulators to answer the difficult question: who will pay for upgrades needed to improve reliability and bring economic benefit? Equitably sharing costs and benefits of many transmission highways and byways, over time and through our carefully coordinated regional planning process, will increase our ability to deliver lower-cost energy and allow us the flexibility to better manage many uncertain future scenarios.

FERC also approved our new and innovative Integrated Transmission Planning (ITP) process, an iterative three-year method of assessing the region’s needs in the near- and long-term to create a cost-effective, flexible, and robust transmission network. SPP staff and members completed the first ITP 20-Year Assessment, a strategic look at upgrades needed by 2030, providing a much needed roadmap for the future.

Progress continues on the Integrated Marketplace initiative. When implemented in 2014, these new energy markets will bring regional benefit by determining which generating units should run the next day for maximum cost-effectiveness. They will provide participants with greater access to reserve electricity, improve regional balancing of supply and demand, and facilitate the integration of renewable resources.

We believe that reliability and economics are inseparable. Building a strong transmission grid not only improves our ability to reliably supply power, it also strengthens competition in our markets and
reduces members’ costs to supply energy to customers.

Other 2010 achievements included successfully integrating new members, managing significant constraints in south Louisiana, renegotiating contracts with Entergy and Louisville Gas and Electric/Kentucky Utilities, breaking ground on the new Corporate Center in Little Rock, and receiving favorable audits from the North American Electric Reliability Corporation (NERC), FERC, and PricewaterhouseCoopers.

In support of our mission - Helping our members work together to keep the lights on… today and in the future - both the Regional Transmission Organization and Regional Entity (RE) expanded training and support to members and registered entities. This education and sharing of best practices promotes compliance, which results in continued reliable grid operations. In 2010 NERC and the Regional Entities created two new processes - Event Analysis and Administrative Citation - that will allow the SPP RE to accelerate the sharing of lessons learned and more quickly adjudicate alleged reliability standard violations.

We have ambitious goals for 2011 related to transmission expansion, regulatory initiatives, operations, reliability improvement, and administrative processes. Our goals include developing a cost allocation methodology for interregional seams agreements, creating a process for addressing unintended consequences associated with cost allocation for regional transmission expansion, improving the aggregate and generation interconnection study processes, strengthening SPP’s leadership in NERC and the North American Energy Standards Board, reliably managing integration of new wind resources, developing a 2020 Vision, improving management of the budget and administrative fee, and quantifying the value and benefits of all SPP services.

Achieving these and other goals will require hard work and leadership throughout SPP and its organizational groups. We appreciate the dedicated leadership of the Regional State Committee and Regional Entity Trustees, and sincerely thank our committee, working group, and task force members for working diligently on the fundamentals of our business in addition to finding new methods for improving advantages in net cost and reliability for consumers across our footprint.

Sincerely,

Nick Brown &
Jim Eckelberger
FERC Approves New and Innovative Integrated Transmission Planning Process

In July FERC approved SPP’s Integrated Transmission Planning (ITP) process, which was approved by the SPP Board of Directors in October 2009. The ITP process will assess the SPP region’s transmission needs in the long- and near-term to create a cost-effective, flexible, and robust transmission network. Along with the recently-approved Highway/Byway cost allocation methodology, the ITP process promotes transmission investment that will meet reliability, economic, and public policy needs.

The ITP process development was driven by the Synergistic Planning Project Team (SPPT), which was created by the SPP Board of Directors to develop a holistic, proactive approach to planning that optimizes individual processes and positions SPP to respond to national energy priorities. The ITP process is based on the SPPT’s planning principles, which emphasized the need to develop a transmission backbone large enough in both scale and geography to provide flexibility to meet SPP’s future needs.

The ITP process is an iterative three-year process that includes 20-Year, 10-Year, and Near-Term Assessments. The ITP process began in 2010 by evaluating high-voltage transmission necessary in 20 years to meet load growth and other future scenarios. The 10-Year Assessment will evaluate lower-voltage solutions for meeting SPP’s needs over the next decade, and will analyze whether projects identified in the 20-Year Assessment need to be initiated earlier. The first 10-Year Assessment will be completed in January 2012. The annual Near-Term Assessment will include local planning needs and primarily focuses on transmission needed to keep the lights on in the next few years.

Priority Projects Approved for Construction

In April the SPP Board of Directors and Members Committee approved for construction a group of “priority” high-voltage electric transmission projects. These projects will improve the regional electric grid by reducing congestion on the power lines, better integrating SPP’s east and west regions, improving SPP members’ ability to deliver power to customers, and facilitating the addition of new renewable and non-renewable generation to the electric grid.

The Priority Projects have a benefit-to-cost ratio of 1.58 for the SPP region. Quantitative benefits were based on Priority Projects’ impact on: SPP members’ costs related to grid congestion, sales, and revenues; efficient use of the transmission system; the impact of added wind...
energy on natural gas prices; and previously-identified projects needed to maintain electric reliability that may be advanced, deferred, or added. Qualitative benefits were based on the economic output (jobs, goods and services, new taxes paid by project owners, etc.) from the projects’ construction and operation, and the operation of an additional 3.2 gigawatts of wind energy that will be facilitated by construction of Priority Projects.

Other benefits, which were not measured, include but are not limited to: enhanced efficiencies in future SPP energy markets; reducing carbon emissions; lowering the amount of generating capacity that must be held in reserve for emergencies; hardening the grid to better withstand storms; and improving operating practices, maintenance schedules, and grid stability.

The transmission owners whose substations connect to the beginning or end of the lines will have the right of first obligation to build the projects. If a transmission owner chooses not to build, SPP’s Open Access Transmission Tariff prescribes the selection process. Entities responsible for construction will then obtain the necessary approvals regarding siting and rate recovery.
SPP Creates Transmission Roadmap for 2030

SPP completed the first phase of the new ITP process: the first ITP 20-Year Assessment (ITP20). The 2010 ITP20 identified grid upgrades projected to be needed by 2030 to accommodate possible future scenarios and provide a strong transmission grid. The 2010 ITP20 developed several transmission project portfolios and evaluated them on a number of metrics. In January 2011 the Board of Directors approved a portfolio of transmission projects that will provide the much needed “roadmap” for transmission expansion in the SPP region and will guide future planning efforts and specific project needs.

The 2010 ITP20 Plan consists of 1,494 miles of 345 kV lines and eleven 345 kV step-down transformers. The projects are estimated to bring benefits more than five times greater than the $1.8 billion engineering and construction costs by reducing members’ costs to generate and supply energy to customers. Qualitative benefits include: providing the foundation for higher renewable energy levels, increasing competition and levelizing prices in SPP’s energy markets by providing access to more generation, increasing system reliability and efficiency, strengthening the ability to transport energy from/to other regions, reducing emissions, and using land responsibly.

SPP is not asking utilities to build the ITP20 projects at this time. The plan provides a vision for the year 2030, guiding shorter-term planning as SPP determines the transmission infrastructure needed to interconnect new generation to the grid and meet members’ requests for long-term use of the region’s transmission lines. The specific need for these 2010 ITP20 projects will continue to be reviewed in future studies. The next ITP20 will be completed in 2013.

2010 SPP Transmission Expansion Plan Completed

In December SPP completed the 2010 SPP Transmission Expansion Plan (STEP) report, including the 2011-2021 regional reliability assessment. The assessment, which was developed with extensive stakeholder review and input, identifies foundational reliability projects needed in the next ten years for the SPP region, and finds upgrades to address possible problems in both normal and contingency conditions. The assessment identified approximately $176 million in new transmission projects needed during the period to maintain electric reliability. 2010 was the last year the reliability assessment will be part of the STEP; in the future it will be part of the ITP Near-Term Assessment.

The STEP also summarizes sub-regional and local area planning, project tracking, Tariff studies, interregional coordination efforts, and congestion issues. The report may be downloaded from the Engineering section of SPP.org.

SPP Participates in Interregional Planning Efforts

SPP is a member of the ISO/RTO Council (IRC), an industry organization consisting of representatives of North American ISO/RTOs. The IRC studied the impact that plug-in electric vehicles (PEVs) would have on the electric power grid. The study, published in March, concluded that one million PEVs may be on U.S. roadways in a

- SPP’s transmission owning members have more than $4.7 billion in net transmission investment
- In 2010, SPP members completed 78 transmission projects at a total cost of $468 million
- SPP’s transmission owners collect ~$800 million annually to recoup costs of transmission
decade, with concentrations of the vehicles in the major metropolitan areas of the West Coast and the Northeast. Staggered charging of PEVs would reduce the potential negative impact on electric load, and power companies will need new tools to manage growth in PEV use.

In December the IRC submitted to FERC a metrics report providing extensive data on grid operations and power markets in ISO/RTO regions. The IRC compiled the report as part of FERC’s efforts to develop standardized measures to track the performance of grid operations and power markets in ISOs/RTOs and other regions of the nation.

The report includes more than 50 metrics providing information on electric system reliability, wholesale electricity market benefits, and the organizational effectiveness of the six ISOs/RTOs under FERC jurisdiction.

Overall, the report shows that ISOs/RTOs are operating the grid reliably, administering markets openly and efficiently, advancing public policy energy objectives, and enabling demand response and energy efficiency.

SPP also participates in the Eastern Interconnection Planning Collaborative (EIPC), a broad-based, transparent, and collaborative process among state and federal policy makers, consumer and environmental interests, NERC-registered Transmission Planning Authorities, and market participants within the Eastern Interconnection.

The EIPC will establish processes for aggregating the entire Eastern Interconnection’s modeling and regional transmission plans and for performing interregional analyses to identify potential opportunities for efficiencies between regions in serving the needs of electrical customers. This interconnection-wide analysis will serve as the reference case for modeling alternative grid expansions based on scenarios guided by the recommendations of a multi-constituency stakeholder steering committee. The EIPC’s work will build on, rather than replace, current local and regional transmission planning processes.

The SPP Engineering Department is actively involved in the EIPC model-building process through its participation in the Steady State Modeling and Load Flow Working Group; its focus during 2010 was construction of a 2020 summer peak model.
Wind Integration Study Identifies Challenges, Solutions to Adding More Wind Energy to the Regional Electric Grid

In January 2010 SPP released the Wind Integration Task Force (WITF) Wind Integration Study, conducted by Charles River Associates on behalf of SPP. The report found that enhanced electricity reserves and major transmission reinforcements are needed to integrate higher levels of wind generation into the SPP transmission system and energy markets. If the needed transmission upgrades were completed, there would be no significant technical barriers or reliability impacts to integrating wind energy levels up to 20% of the generation mix.

SPP wind generation resources are primarily located in the western part of the region, typically in sparsely-populated locations with little transmission and electricity demand. The study found that an increase in the wind penetration level causes changes in power flow patterns – particularly increased flow from the western to the eastern part of the region – requiring upgrades and/or reconfigurations to the transmission system.

As wind generation increases or decreases, other sources of generation must quickly ramp up or back down to keep an uninterrupted power flow. Efficient wind integration requires a sophisticated process for determining what generating units are utilized throughout the region, addressing the uncertainty associated with wind forecast errors. Wind integration will be greatly facilitated by the creation of the SPP Consolidated Balancing Authority, in which SPP will balance electricity supply and demand for the entire region.

Recommendations resulting from the WITF study were assigned to the Markets and Operations Policy Committee, and implementation of the recommendations has been integrated into the stakeholder process.

Highway/Byway Cost Allocation Methodology Approved

In June the FERC approved a new Highway/Byway method of sharing costs for new electric transmission in the SPP region. This approach, which assigns costs of high-voltage transmission regionally and lower-voltage transmission locally, will help SPP and its members build a robust transmission grid that will benefit the entire region.

SPP analyses demonstrated that large-scale, extra-high-voltage “highways” provide benefits across a wider region, thus, costs will be assigned to electric utilities across the SPP footprint. Lower-voltage “byways” benefit smaller areas within the region; a formula will be used to assign costs more directly to the utility in whose service territory (zone) the project is located and that will receive the most benefit from the project. The new cost-sharing method applies to transmission expansion projects approved by the SPP Board of Directors after June 19, 2010, including Priority Projects.

FERC’s June 17 Order accepting revisions to SPP’s Open Access Transmission Tariff stated, “We find that SPP’s proposed Highway/Byway Methodology will foster improvements in SPP’s transmission system by consolidating and simplifying the cost allocation.
process and by providing greater certainty for cost recovery. The proposed Highway/Byway Methodology is an important step in facilitating investment in new transmission facilities to integrate the eastern and western portions of the SPP grid, reduce congestion, efficiently integrate new resources, and accommodate new or growing loads.”

Successfully developing this cost allocation methodology required leadership from SPP’s Regional State Committee and consensus-building among SPP’s Board of Directors, members, the Synergistic Planning Project Team, and other stakeholders. Implementation of Highway/Byway is evidence of SPP’s “evolutionary vs. revolutionary” approach to change.

E-Tariff System Implemented
The SPP Regulatory Department implemented an E-Tariff system to meet a FERC requirement that all jurisdictional entities file their tariffs and related documents in an electronic system. SPP worked with ISO New England, New York ISO, and PJM to custom-design software that would be compatible with FERC’s system, an effort that took 18 months. SPP now makes all FERC filings and manages the SPP Open Access Transmission Tariff via E-Tariff. Functionality is being added that will improve users’ ability to search the Tariff and view historical changes, among other enhancements. All SPP governing documents — including the SPP Bylaws, SPP Criteria, and Membership Agreement - will eventually be managed in the E-Tariff system.

Entergy Regional State Committee Formed
The Entergy Regional State Committee (E-RSC) was formed in late 2009 to provide collective state regulatory agency input on the operations of and upgrades to the Entergy transmission system, including issues relating to SPP as Entergy’s Independent Coordinator of Transmission. The Entergy RSC is comprised of retail regulatory commissioners from agencies in Arkansas, Louisiana, Mississippi, Texas, and the Council of the City of New Orleans. SPP is an active participant in E-RSC stakeholder process, including providing the group’s staff secretary and other administrative services.

The formation of the E-RSC follows FERC Chairman Jon Wellinghoff’s statement that the committee “will be instrumental in evaluating issues involving the future operations of Entergy’s system, including such issues as evaluating RTO membership and/or an enhanced ICT arrangement.”

FERC-Sponsored Cost/Benefit Study Shows Significant Benefit to Entergy Joining SPP RTO
At a June 2009 FERC technical conference, FERC agreed to fund a study to determine the costs and benefits of Entergy and Cleco Power joining the SPP Regional Transmission Organization (RTO) compared to remaining stand-alone organizations. This study was previously ordered by the Arkansas Public Service Commission in May 2009. FERC hired Charles River Associates (CRA) to conduct the analysis with significant input from FERC, Entergy, SPP, Entergy and SPP stakeholders, and the E-RSC.

The study found “that Entergy and Cleco Power joining the SPP RTO will yield significant economic benefits to the collective SPP/Entergy region. The net benefits to the Entergy, SPP, and Cleco Power regions are highly dependent on the allocation of regional high-voltage transmission expansion costs.”

According to the study, the collective SPP/Entergy region would realize net benefits of $1.3 billion from 2013-2022 if Entergy and Cleco Power joined the SPP RTO
as transmission owners; benefits continue after the study horizon. Visit SPP.org>Fast Facts to read more about the benefits of Entergy joining the SPP RTO.

SPP began serving as the Independent Coordinator of Transmission for Entergy in November 2006 on a contract basis; in November 2010 the contract was extended through 2012.

State of Market Report Finds SPP Markets in Good Health

The 2009 State of the Market report was published in May 2010 by the SPP Market Monitoring Unit and external advisor Boston Pacific Company, Inc. The report concluded that SPP is a robust Regional Transmission Organization, indicated by strong market participation, prices and price volatility that compare well to neighboring transmission providers, successful expansion to include new Balancing Authorities, and the absence of structural market power. For the transmission market the clearest sign of good health is substantial investment in the transmission system.

The report recommended that SPP standardize categories that account for transmission outages to allow easy reporting on the causes and locations of outages across the footprint, monitor and report trends in transmission congestion and use of temporary flowgates, include temporary flowgate congestion in the calculation and activation of offer caps, and continue Integrated Marketplace development to achieve consumer benefits.

Training Department Increases Scope, Launches Learning Center

The SPP Training Department provides continuing education for operations personnel at SPP and throughout the region.

The 2010 Customer Training calendar included two regional restoration drills, eight sub-regional restoration drills, four system operations conferences, 28 net conferences, six regional emergency operations sessions, 10 training sessions on Dispatcher Training Simulator usage, numerous market training sessions, and two Train-the-Trainer sessions.

The estimated value of stakeholder services provided by the SPP Training Department in 2010 was more than $24 million. Without SPP, its members would collectively spend approximately $682,000 on continuing education, $10.5 million on Dispatcher Training Simulators, $783,000 on travel to on-site classes, $11.5 million on curriculum development, and $825,000 on consulting services.

In 2010 the Training Department launched the SPP Learning Center, an online one-stop-shop for members’ training needs. Operators can use the Learning Center to search and register for training courses, express interest in courses that do not have classes scheduled.
print transcripts and NERC-approved certificates of completion, and more. More than 500 employees of SPP member organizations have used the Learning Center to obtain training services. Visit SPP.org>T raining to access the Learning Center.

New Real Time Data Added to SPP.org

SPP added several real-time data feeds to its website to provide more information to stakeholders. The Locational Imbalance Pricing contour map page depicts market prices and information about flowgates and grid congestion (SPP.org>Market). The non-coincidentical peak load page represents the sum of each footprint’s members’ peak energy use for a particular day (SPP.org>About>Fast Facts). The load/forecast and generation mix page depicts actual and forecast load for the market footprint, along with the fuel types being used for generation (SPP.org>Market).

SPP is also posting historical bids and offers in compliance with a FERC Order. Bids and offers are posted with a 90-day lag, and include all bids and offers received for the specific day and time. Resource identities are masked (SPP.org>Market>Offer Curve).

Integrated Marketplace Approved for Building and Implementation

SPP staff and members continued work on the Integrated Marketplace, SPP’s new energy markets that will include a Day-Ahead Market with Transmission Congestion Rights, a Reliability Unit Commitment process, a Real-Time Balancing Market to replace the current Energy Imbalance Service Market, and the incorporation of price-based Operating Reserve procurement. In coordination with the Integrated Marketplace, the Balancing Authorities in the SPP market footprint will combine to form a Consolidated Balancing Authority.

The Market Working Group completed the mid-level market design in April, which was approved by the Markets and Operations Policy Committee (MOPC). Based on the design, detailed business rules were developed and approved by the MOPC in October. In December vendors submitted to SPP estimates for the cost of building and implementing the Integrated Marketplace computer systems; the estimates were based on detailed business rules and requirements developed by SPP. In January 2011 the Board of Directors authorized SPP staff to begin negotiations with vendors to develop work statements and contracts for developing the Integrated Marketplace, which is expected to be implemented in 2014.
Regional Entity Expands Staffing and Outreach

The SPP Regional Entity (SPP RE) continued to perform its delegated responsibilities in its third year under mandatory rules. The SPP RE has the authority to audit, investigate, and ensure that NERC Registered Entities (owners, operators, and users of the bulk power system) comply with mandatory NERC reliability standards. The SPP RE is also responsible for developing regional reliability standards, performing seasonal and long-term reliability assessments, overseeing analyses of grid events, and “situational awareness” - monitoring information to be aware of potentially unreliable system conditions.

In 2010, the SPP RE reviewed 173 Technical Feasibility Exception requests and conducted 12 on-site compliance audits, 9 off-site compliance audits, and 11 on-site Critical Infrastructure Protection spot checks. By the end of the year, 128 registered entities were performing 380 functions registered in the SPP RE footprint.

The SPP RE successfully renegotiated the NERC Regional Delegation Agreements, and NERC completed its audit of the SPP RE with good results. The SPP RE completed all recommendations from the 2008 FERC audit, its audit teams implemented significant process improvements, and its enforcement team implemented streamlined enforcement processes.

The SPP RE increased its outreach to registered entities by publishing quarterly newsletters, improving its web pages, making numerous presentations to registered entities, and hosting three compliance workshops and 12 webinars.

FERC Finds SPP Responsive to Stakeholders, Compliant with Governance

In February FERC held a technical conference to discuss RTO governance and responsiveness to stakeholders, including board and stakeholder processes. FERC announced its finding that SPP complies with Order No. 719 and is (1) inclusive; (2) fair in balancing diverse interests; (3) represents minority interests; (4) responsive to stakeholders, continually evaluating its governance policies and stakeholder processes to consider how they may be improved.

2010 Stakeholder Survey Shows Increased Satisfaction

SPP is a relationship-based and member-driven organization with a goal of continuous improvement. Each year SPP asks its members and stakeholders to provide input on the organization’s provision of services so staff can learn what is going well and what needs improvement. The 2010 Stakeholder Satisfaction Survey had a 30% response rate with 233 respondents. More than 80% of respondents are members, and respondents are more likely to interact with SPP services rarely or a few times per year.

Of the 108 respondents who interact with other organizations/providers, 46% rated SPP about
the same, while 47% rated SPP somewhat better or much better. Seven percent indicated that SPP’s performance is worse or much worse.

Approximately 72% of respondents are satisfied with staff’s problem resolution, responsiveness, and provision of accurate information. Three of four respondents rated meeting planning favorably. Customer performance ratings increased slightly in all categories since 2008, and overall satisfaction has increased each year since 2006. Regarding characteristics of SPP with which respondents are satisfied, the most prominent theme was staff’s knowledge, willingness to help, and responsiveness. Of the 77 responses to this open-ended question, 47 (61%) were related to positive customer service interactions.

Regarding characteristics of SPP with which respondents are dissatisfied, staff responsiveness/problem resolution was the most common theme, noted 13 times. The next most common themes were dissatisfaction with planning studies, timeliness of meeting materials, and organizational effectiveness (including voting and membership issues).

More than 50% of respondents rated all services as important except for meeting planning/organization. Reliability coordination and transmission planning were rated most important. More than half of respondents are satisfied with all services except transmission expansion (close at 49%) and generation interconnection/aggregate studies (43%). The highest satisfaction ratings were for reliability coordination (72%), training (67%), and scheduling (66%).

First Unqualified SAS 70 Audit
In December SPP received an unqualified Statement on Auditing Standards 70 (SAS 70) Type II audit opinion, providing a high level of assurance that the organization is providing a secure, reliable, effective operating environment. The SAS 70 Type II audit, conducted by PricewaterhouseCoopers (PwC), scrutinized controls related to SPP’s transmission and energy market business processes and related information technology systems and processes.

PwC found that SPP’s controls were suitably designed and operating effectively to meet its control objectives from November 1, 2009 to October 31, 2010.

SAS 70 is an auditing standard designed by the American Institute of Certified Public Accountants to evaluate and issue an opinion about a service organization’s controls.

2010 Strategic Plan Establishes SPP’s Long-Term Vision
In July the Board of Directors approved the 2010 Strategic Plan, which positions SPP to fulfill its mission statement over the next decade and beyond. With input from members, the Strategic Planning Committee developed the plan by first establishing a baseline for where SPP is today, then reviewing alternative visions of how the industry may change over the next decade. Three foundational strategies and associated initiatives were developed to leverage SPP’s capabilities and operational processes:

1. Build a Robust Transmission System:
   - Implement Priority Projects
   - Develop/implement Integrated Transmission Planning process
   - Regional cost recovery
   - Interregional optimization
   - Operational optimization

   Develop Efficient Market Processes

   Create Member Value
2. Develop Efficient Market Processes:
   • Implement Day Ahead Market with Transmission Congestion Rights
   • Implement Reliability Unit Commitment process
   • Incorporate Operating Reserves into Real Time Balancing and Day Ahead Markets
   • Implement Consolidated Balancing Authority
   • Demand response integration
   • Manage implementation

3. Create Member Value:
   • Reliability excellence
   • Benchmarking and measurement
   • Enhance market monitoring tools
   • Continuous process improvement
   • Strategic membership expansion
   • Communication and education

SPP Breaks Ground on Corporate Center

In September SPP broke ground on its new Corporate Center, which will house all of SPP’s business and operations functions. SPP currently has employees in three locations; the new campus will bring employees back together on one campus so they can collaborate more efficiently and effectively.

The $62 million campus will include a 36,000 square foot, 24/7 real-time data and operations center that will house SPP computing assets and real-time grid operations. The four-story, 150,000 square foot office building is where SPP will conduct its other business functions. Sustainable design and energy efficient operation were important considerations during the project’s planning phase. The design will be guided by the principles of the U.S. Green Building Council’s LEED requirements. The operations center is expected to be complete in September 2011 and the office building in February 2012.

2010 Employee Survey Shows Strong Engagement Among Staff

In September SPP administered its second employee engagement survey, which biennially measures employees’ satisfaction, motivation,
and effectiveness. As in 2008, survey results were favorable. A large majority of employees are fully engaged with their contributions to SPP, satisfied, motivated, and equipped to perform to the best of their ability. Employees indicated that SPP excels in several particular areas: clear communication and application of SPP’s mission, a highly skilled and productive staff that takes pride in their work, and honest and ethical stakeholder engagement.

High engagement scores do more than indicate a happy, motivated employee base. They also impact the bottom line. Research shows that actively engaged employees are devoted to constant learning, take calculated risks, are comfortable stretching outside their comfort zone, take personal satisfaction in the quality of their work, and tell others they are proud to work for their organization. The 2010 Employee Engagement Survey results demonstrate that SPP’s staff is poised to carry the organization successfully into the future.

**Staff Growth and Milestone Service Anniversaries**

In 2010, 61 employees were hired, bringing the total staff count at the end of the year to 457. Seven employees marked significant career milestones: Kevin Perry, Bruce Rew, and Barbara Sugg celebrated 20 years of service; Malinda See, 25 years of service; Lisa Carter and Ron Hollaway, 30 years of service; and Les Gilstrap, 40 years of service.

**Professional Development Opportunities Encourage Innovation, Effective Relationships**

For the fifth consecutive year, managers and emerging leaders from across SPP attended a Leadership Training course. In 2010, 34 employees participated in the eight-week program to gain skills and knowledge on a variety of topics including conflict and change management, delegation, prioritization, and interpersonal communication. The course culminated in students’ development and presentation of Innovation Projects: ideas that could either save SPP $5,000 or generate $50,000 in revenue. Awards were presented to teams and individuals who showed exceptional skill and growth over the course of the training, including Juliano Freitas, Lonnie Lindekugel, Antoine Lucas, Jason Speer, Brian Strickland, and Karen Thomas.

**Leadership Conference Focuses on Strengths and Weaknesses, Leads to Ongoing Effort**

As part of its commitments to continuous improvement and professional development for employees, SPP hosted its fifth annual Leadership Conference in May. Edward Kim – Managing Director of Synergy Leaders, LLC and the world’s leading authority on utilizing Keirsey Temperament Theory for leadership development, team dynamics, and organizational
strategy — conducted a day-long seminar teaching employees to understand the dimensions of personalities, work together despite differences, and maximize unique leadership capabilities.

SPP continues to utilize Keirsey Temperament Theory as a major part of our HR strategy. A team of Keirsey-certified employees developed a set of principles to guide the theory's application at SPP, and will work with groups throughout the organization to foster effective collaboration and help staff realize their full potential.

**Employee Award Programs**

SPP acknowledges its highest-performing employees through several reward and recognition programs. President’s Awards are given annually to peer-nominated employees who live up to SPP’s core values and culture drivers. In 2010 President’s Awards were given to Becky Doolittle, Brad Cowell, Casey Cathey, Catie Dial, Chris Evans, Clint Savoy, Doug Bowman, Erin Jester, Gary Cate, Gerardo Ugalde, Mike Sims, Tim McGinnis, and Yasser Bahbaz. The John Marschewski Leadership Award is given to the employee who best embodies the former SPP President’s ideals of hard work and a positive, encouraging attitude. Ken Quimby was named the 2010 Marschewski Award recipient.

Several departmental recognition efforts are underway, including IT’s ELITE and Engineering’s POWER award programs. Candidates for both awards are nominated monthly by their peers.

SPP won the 2010 THV Summer Cereal Drive, which collected food and monetary donations for the Arkansas Foodbank Network. Of more than 100 Arkansas businesses, SPP employees made the largest donation of more than 14,000 boxes of cereal. The Arkansas Foodbank Network is one of many charitable organizations supported by SPP and its staff, including Heart of Arkansas United Way, Youth Home, Our House, the Susan G. Komen Foundation, Habitat for Humanity, and the American Red Cross of Greater Arkansas.

To educate young people about the importance of transmission and reliability coordination, SPP sponsored and unveiled a new exhibit at the Museum of Discovery in downtown Little Rock. The game allows players to assume the role of an SPP grid operator, and asks them to make choices about generation, transmission, and grid emergencies. As players make the correct choices, lights come on in the model community. Several SPP staff donated many hours to building the hardware and software components of the exhibit.

Left: SPP sponsored and unveiled a new exhibit at the Museum of Discovery in downtown Little Rock, which will teach participants the fundamentals of grid operation.
Our Members - 2010

Cooperatives
Arkansas Electric Cooperative Corporation 3
East Texas Electric Cooperative, Inc. 2, 3
Golden Spread Electric Cooperative, Inc. 3
Kansas Electric Power Cooperative, Inc. 3
Mid-Kansas Electric Company, LLC 2, 4
Midwest Energy, Inc. 2, 4
Northeast Texas Electric Cooperative, Inc. 3
Rayburn Country Electric Cooperative 3
Sunflower Electric Power Corporation 1, 2, 4
Tex-La Cooperative of Texas, Inc. 2, 3
Tri-County Electric Cooperative, Inc. 3
Western Farmers Electric Cooperative 1, 2, 4

Investor-Owned
American Electric Power 1
AEP Oklahoma Transmission Company, Inc. 3
AEP Southwestern Transmission Company, Inc. 3
Public Service Company of Oklahoma 2, 4
Southwestern Electric Power Company 2, 4
Cleco Power, LLC 1, 3
Empire District Electric Company 1, 2, 4
Entergy Services, Inc. 3
Exelon Generation Company, LLC 3
Kansas City Power & Light Company 1, 2, 4
KCP&L Greater Missouri Operations Company 1, 2, 4
Oklahoma Gas and Electric Company 1, 2, 4
Westar Energy, Inc. 1, 2, 4
Kansas Gas and Electric Company 1, 2, 4
Xcel Energy
Southwestern Public Service Company 1, 2, 4

Marketers
Cargill Power Markets, LLC 3
Constellation Energy Commodities Group, Inc. 3
Duke Energy Americas, LLC 3
Dynegy Power Marketing, Inc. 3
Edison Mission Marketing & Trading, Inc. 3
El Paso Merchant Energy, L.P. 3
Luminant Energy Company, LLC 3
NRG Power Marketing, Inc. 3
Shell Energy North America (US), L.P. 3
Williams Power Company, Inc. 3

Municipals
Board of Public Utilities of Kansas City, Kansas 1, 3
City of Independence, Missouri 1, 3
City Utilities of Springfield 2, 3
Clarkdale Public Utilities Commission 3
Kansas Municipal Energy Agency 3
Lafayette Utilities System 1, 3
Lincoln Electric System 1, 2, 3
Oklahoma Municipal Power Authority 3
Public Service Commission of Yazoo City 3

State Agencies
Grand River Dam Authority 1, 2, 4
Louisiana Energy and Power Authority 1, 3
Nebraska Public Power District 1, 2, 4
Omaha Public Power District 1, 2, 4

SPP Contract Participants
Southwestern Power Administration 1, 2

1 Balancing Authority / Control Area within SPP
2 Transmission Owner
3 Transmission Using Member
4 Transmission Owning Member
1. James E. Eckelberger,
   Chairman of the Board
   Elected 2000; Member, Strategic Planning Committee,
   Corporate Governance Committee
   Jim retired from the U. S. Navy as a Rear Admiral and has
   since been the Vice President of five corporations and CEO
   of another. He is currently an executive mentor working with
   CEOs in the Dallas area.

2. Harry I. Skilton,
   Vice-Chairman of the Board
   Elected 2000; Chairman, Finance Committee; Member,
   Strategic Planning Committee
   Harry is a consultant with over 25 years of senior executive
   and general management experience in Fortune 500
   manufacturing companies. He retired as President and Chief
   Executive Officer of American Meter Company.

3. Larry Altenbaumer
   Elected 2005; Member, Finance Committee, Human
   Resources Committee
   Larry provides business advisory and consulting services
   to the energy industry. He retired in 2004 as President of
   Illinois Power and Executive Vice President, Regulated Energy
   Delivery of Dynegy, Inc.

4. Phyllis Bernard
   Elected 2003; Chair, Human Resources Committee; Member,
   Oversight Committee
   Phyllis is a Robert S. Kerr Jr. Distinguished Professor of Law
   and founding Director of the Center on Alternative Dispute
   Resolution at the Oklahoma City University School of Law.

5. Julian Brix
   Elected 2008; Member, Oversight Committee, Markets and
   Operations Policy Committee
   Julian most recently served as executive consultant for Brix
   International, an independent consulting company, and as
   board member and co-chair of TRANSlink Management
   Development Corporation.

6. Nick Brown, President and Chief Executive Officer
   Elected 2004; Chairman, Corporate Governance Committee
   Prior to 2004, Nick served SPP in several capacities including
   Senior Vice President, Corporate Secretary, Director of
   Engineering and Operations, and Manager of Engineering
   Services.

7. Joshua W. Martin, III
   Elected 2003; Chairman, Oversight Committee; Member,
   Strategic Planning Committee
   Joshua is a partner in the Potter Anderson & Corroon law
   firm. In 2005 he joined the firm’s Business Practices Group,
   which focuses on telecommunications and public utility issues.

Regional Entity
Trustees

John Meyer, Chairman
Gerry Burrows
David Christiano
2010 Members Committee

1. Michael Deggendorf
Senior Vice President, Delivery, Kansas City Power & Light Company

2. Kevin Easley
General Manager and Chief Executive Officer, Grand River Dam Authority

3. Trudy Harper
President, Tenaska Power Services

4. Kelly Harrison
Vice President Transmission Operations and Environmental, Westar Energy

5. Cindy Holman
General Manager, Oklahoma Municipal Power Authority

6. Rob Janssen
President and General Manager, Dogwood Energy; and Senior Vice President, Kelson Energy, Inc.

7. Jeff Knottek
Director, Transmission Planning, City Utilities of Springfield, Missouri

8. Brett Kruse
Vice President, Market Design, Calpine Energy Services

9. Steve Parr
Executive Vice President and CEO, Kansas Electric Power Cooperative

10. Mel Perkins
Vice President of Power Delivery, OG+E Electric Services

11. Pat Pope
Vice President and Chief Operating Officer, Nebraska Public Power District

12. Gary Roulet
Chief Executive Officer, Western Farmers Electric Cooperative

13. Stuart Solomon
President, Public Service Company of Oklahoma

14. Gary Voigt
Chief Executive Officer, Arkansas Electric Cooperative Corporation

15. Michael Wise
Vice President, Transmission and Operations, Golden Spread Electric Cooperative

MOPC Chair

Bill Dowling
Vice President, Energy Management and Supply
Midwest Energy, Inc.
2010 Regional State Committee

1. Jeff Davis, President
   Missouri Public Service Commission

2. Paul Suskie, Vice President
   Arkansas Public Service Commission

3. Barry Smitherman, Secretary/Treasurer
   Public Utilities Commission of Texas

4. Jeff Cloud
   Oklahoma Corporation Commission

5. David King
   New Mexico Public Regulation Commission

6. Michael Moffet
   Kansas Corporation Commission

7. Michael Siedschlag
   Nebraska Power Review Board

2010 Officers

1. Nick Brown
   President and CEO

2. Michael Desselle
   Vice President, Process Integrity and Chief Administrative Officer

3. Les Dillahunty
   Senior Vice President, Engineering and Regulatory Policy

4. Tom Dunn
   Vice President, Finance and Chief Financial Officer

5. Stacy Duckett
   Vice President, General Counsel, and Corporate Secretary

6. Carl Monroe
   Executive Vice President and Chief Operating Officer

7. Lanny Nickell
   Vice President, Operations

8. Bruce Rew
   Vice President, Engineering

9. Barbara Sugg
   Vice President, Information Technology