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Hello! SPP continues to gain momentum in our never-ending effort to work with our members and help them keep the lights on. Our membership has increased, transmission construction is progressing, the Integrated Marketplace continues to move forward, and we consolidated our people and systems into a new home in 2012.

We work hard to differentiate SPP from other regional organizations. SPP’s staff focuses on developing strong, mutually beneficial relationships with our members and market participants. We practice transparency and responsiveness, allowing our members to have a greater say as we work together to ensure a safe and reliable supply of electricity within our region.

The payoff comes as it did when SPP closed out 2012 with 68 members. Our membership will continue to increase as the Integrated Marketplace moves closer to becoming reality. Once implemented, the Integrated Marketplace is expected to provide up to $100 million in incremental annual net savings to our members with its day-ahead and real-time balancing markets.

SPP’s innovative Integrated Transmission Planning (ITP) process balances our footprint’s reliability, economic, and public-policy needs in assessing transmission projects. This year, the ITP process has resulted in the approval of an additional $751 million in new transmission projects over the next six years – following approval of $1.7 billion in projects the year before. The real benefits from the nearly $7 billion worth of new transmission projects authorized over the past six years won’t be seen until 2014 and beyond; our members did complete 111 transmission projects worth more than $1 billion in 2012 alone.

This process has been simplified even further by the SPP Regional State Committee’s (RSC) review of the Highway/Byway methodology’s fairness in allocating costs for transmission expansion. The RSC has been able to ease member concerns; in April, the last of some members’ federal appeals were withdrawn. We will continue to ensure the robust transmission system built for our stakeholders is used in an equitable fashion.

A milder summer than 2011 kept SPP’s peak demand last year just below 54,000 megawatts (MW), almost 1,000 MW under the previous
year’s peak. We did set records for wind energy in December with a system-peak wind generation of 5,730 MW, about a fifth of our system generation at that time. SPP registered 3,091 MW of wind energy in 2012, a 40 percent increase to 7,790 MW of wind-energy capacity.

In December, AEP’s 600-MW John W. Turk, Jr. Power Plant in southwest Arkansas began commercial operation. This is the nation’s first ultra-supercritical operating unit, requiring less coal and producing fewer emissions than existing coal units. Many of you may remember John Turk, a prominent SPP leader who served multiple terms as chairman of the Board of Directors in the ’70s and ’80s.

Meeting SPP’s growing, diverse load will require we keep providing a fact-based, regional perspective and influence federal policy. Case in point: our strong voice regarding the reliability concerns of the Environmental Protection Agency’s proposed Cross State Air Pollution Regulation that was tabled last year.

We were disappointed we could not make substantial progress in the aggregate study and generation interconnection processes. Though we put in the effort and creativity in making this work, we still need to improve those processes, and we will during the coming year.

The Integrated Marketplace remains on pace to meet its March 2014 implementation date. Our staff is diligently working with multiple vendors and dozens of interested market participants to test and link together the many systems and applications we have been building.

Software-delivery delays have compressed some of the Integrated Marketplace’s testing schedules, but we have contingency plans in place to keep the program on schedule and deliver a quality product. By the end of the year, the program was well into its Connectivity Test – the first of five sub-stages that will progress to Market Trials in the summer of 2013 – and preparing for Phase I of the Transmission Congestion Rights (TCR) Market Trials.

The Federal Energy Regulatory Commission (FERC) issued its conditional approval of the Integrated Marketplace in October, finding it to be “just and reasonable … subject to conditions established in the order.” Our staff – working together with market participants – responded with an on-time compliance filing with revisions, readiness and reversion plans, and additional information.

Separately, we also completed a significant FERC Order 1000 compliance filing. The order’s requirements extend to interregional planning and cost allocation; SPP is concerned with how various states’ laws could impact the established regional cost-allocation processes, including Highway/Byway funding. We can envision a scenario where a contested battle between an incumbent and a new company could delay a much-needed transmission project. We will monitor this for any necessary action.

Our collaborative efforts and commitment to excellence paid dividends elsewhere, too. Hard work involving many departmental process and control structures helped SPP earn clean audit reports across the board.

Finally, SPP staff moved into its new Corporate Center – completed on schedule and under budget – in July. The Center combines our previous three locations into one and includes a state-of-the-art, 37,000-square foot Operations and Data Center that improves our ability to monitor the grid and drive reliability assurance.

The new facility was built for the work we do. The modern, energy-efficient buildings are filled with abundant natural light and formal and informal work spaces, where ideas can be shared and improved upon. A conference center can seat up to 240 people in six different rooms, and will increase the value of our training opportunities – $27 million last year alone in avoided-travel, development, consulting and other costs.

These are exciting and challenging times at SPP. We appreciate all of our stakeholders’ engagement as we continue to maintain our forward momentum.

Take Care,

Nick Brown
Jim Eckelberger
2012 provided a welcome respite from the weather extremes and energy demands SPP faced in 2011. The Reliability Coordinator’s footprint had a peak demand of 53,690 megawatts (MW) on July 30, more than 1,000 MW below the previous year’s record peak.

Still, we were faced with a number of operational challenges. We met each one in helping our members work together to keep the lights on.

In July, the Operations and Data Center was successfully moved from Maumelle – its home of five years – to the new Corporate Center, culminating months of careful planning. We didn’t just move people and machines; crews at both facilities worked in parallel to ensure the system’s demands were met during the migration.

We set records for regional wind energy in December, when the SPP system’s peak wind generation topped out at 5,730 MW on December 12. Wind energy’s share of the SPP market peaked at 27.3 percent of load and 25.6 percent of generation on December 3.

Those numbers are only increasing. The SPP market has 7,790 MW of wind-energy capacity, but wind farms have signed interconnection agreements that could add up to an additional 9,200 MW. The Production Tax Credit’s extension into 2013 could lead to further increases in wind-
energy capacity; incorporating that additional energy and its variability will remain a challenge for us.

We were disappointed when an Arkansas Public Service Commission order essentially cleared the way for Entergy to join a neighboring system, but we quickly turned our attention to ensuring a smooth transition. Our ICT (independent coordinator of transmission) responsibilities to Entergy ended as planned and without incident December 1.

SPP’s Customer Training department continues benefiting staff and members. We provided more than $17 million worth of training – including travel-avoidance costs – awarding more than 23,500 continuing education (CE) hours and more than 15,500 CE simulation hours. The new Corporate Training room on the SPP campus has played a central role, seating up to 30 participants for system-based or computer-based training.

Customer Training developed and offered restoration drills, quarterly Systems Operations conferences, net conferences, and regional operations classes. This saved members an estimated $12.3 million in development and consulting costs.

The SPP Learning Center added another 454 registered members during 2012. We now have 1,561 registered members, up from 501 just two years ago. Twenty-three member companies now have administrative privileges, allowing participants to review available courses, register for classes, and track hours completed.
2012 BY THE NUMBERS ¹

» Administrative fee: 25.5c/MWh

» Balancing Authorities
  › Market: 16
  › Reliability Coordination: 31
  › Regional Transmission Organization: 14

» Budget (Operating): $152M

» Demand response
  › Wholesale: 1,444 MW
  › Retail: 1,226.2 MW

» Generation capacity: 72,015 MW

» Generation interconnection study queue: 12,060 MW

» Members: 68

» Population served: 15.5M

» Reserve margin (capacity): 21%

» Service territory: 370,000 square miles

» Substations: 3,921

» Transmission customer transactions: $1.1B

» Transmission (miles by voltage): 48,368
  › 69 kV: 11,966
  › 115 kV: 10,302
  › 138 kV: 10,129
  › 161 kV: 5,066
  › 230 kV: 3,787
  › 345 kV: 7,023
  › 500 kV: 93

» Wholesale Energy Market
  › 45 participants
  › 506 generating resources
  › 2012 transactions: $1.2B
  › Peak load (non-coincident): ²: 47,317 MW on August 1
  › Energy consumption: 228,677 GWh

» Wind in service (Market): 7,790 MW

¹ Numbers are for the RTO footprint unless otherwise noted.
² Non-coincident peak refers to the average hourly peak of all participants in the footprint, opposed to the coincident peak: the sum of the measurements for every balancing authority during a given 10-second interval. Non-coincident peaks are generally less than coincident peaks for the same hour.
³ 2012 solar generation was 0.07% and is not shown in the Generation Mix chart.
In January 2013, the SPP Board of Directors approved the 2012 ITP Near-Term transmission expansion plan that will result in the construction of $751 million in new transmission projects over the next six years across our eight-state region. These projects are expected to mitigate more than 220 reliability issues identified by the ITP Near-Term assessment. Members completed 111 transmission-expansion projects in 2012 alone, totaling more than $1 billion of transmission investment.

Similarly, SPP has conducted a joint effort with its members and the Regional State Committee to review the impact of the Highway/Byway cost-allocation methodology for funding transmission expansion. This stakeholder-driven approach resulted in easing some members’ concerns with the methodology, and the subsequent withdrawal of their federal appeals in April 2012. This collaborative effort has resulted in a greater understanding and buy-in of the cost-allocation process by many stakeholders, including regulators.

We continue to support members in several state proceedings as they obtain approval for transmission cost recovery mechanisms. Our transmission owners collect about $1.2 billion annually in transmission costs, and have approximately $7.5 billion in net transmission investment.
Regulatory

The bulk of SPP’s regulatory efforts in 2012 were devoted to two issues: the Integrated Marketplace compliance filing with the Federal Energy Regulatory Commission (FERC), and a significant FERC Order 1000 compliance filing made in November.

FERC gave its conditional approval to the Integrated Marketplace in October, validating much of our proposed design. However, FERC also required substantial changes to the Marketplace for Go-Live in two areas: providing different compensation for generation resource frequency regulation (FERC Order 755), and implementing real-time market coordination, or Market-to-Market, with Midwest ISO (MISO).

SPP responded with a request for rehearing in November that asked FERC to reconsider the order and allow more time to implement these requirements. The additional time is important, as it will allow us to focus on meeting the planned go-live date.

In November, we submitted an Order 1000 compliance filing that proposed an open, competitive process for high-voltage (300 kilovolts and above) transmission projects. The filing culminated more than a year of diligent work with SPP’s stakeholders to develop a competitive model for new transmission projects; the process included unanimous approval of Tariff revisions by all involved stakeholder groups.

The filing retains SPP’s cost-allocation methodology and Integrated Planning Process approved by FERC in 2011, but also extends those requirements to interregional planning. Reaching consensus across our various seams on such complex issues will be challenging, but we have been negotiating the details with each of our neighbors, and will file them with FERC in 2013.

Regional State Committee

The SPP Regional State Committee (RSC) provides collective state regulatory agency input on matters of regional importance related to the development and operation of bulk electric transmission. The RSC is composed of retail regulatory commissioners from agencies in Arkansas, Kansas, Missouri, Nebraska, New Mexico, Oklahoma, and Texas.

1. Olan Reeves, President
Arkansas Public Service Commission

2. Thomas Wright, Vice President
Kansas Corporation Commission

3. Dana Murphy, Secretary/Treasurer
Oklahoma Corporation Commission

4. Kevin Gunn
Missouri Public Service Commission

5. Patrick Lyons
New Mexico Public Regulation Commission

6. Donna Nelson
Public Utility Commission of Texas

7. Michael Siedschlag
Nebraska Power Review Board
2012, the RTO (Regional Transmission Organization) Compliance Department implemented a new service that provides compliance assistance to members in preparation for their audits. This service, performed 10 times last year, includes reviews of member Reliability Standard Audit Worksheets and primary and secondary evidence. These reviews can be accomplished on-site as well as in-house. This effort received positive reviews from members.

The Compliance department’s new strategic plan resulted in a staff alignment that established subject-matter experts and analysts who can provide specialized compliance assistance to our members. The new structure will result in a sharper focus on expanding member services.

We began preparing for the Critical Infrastructure Protection and Operations audit in 2013, as well as a Consolidated Balancing Authority certification review. We also conducted a complete review of the SPP criteria that reduces the criteria’s size through duplicate requirements with reliability standards, outdated requirements, and modification needs.
2012, the SPP Regional Entity’s (SPP RE) staff achieved a high level of success measured by the group’s goals and metrics. Major 2012 accomplishments include the timely publication of all Regional Reliability Assessments; NERC’s (North American Electric Reliability Corporation) approval of SPP RE’s first Regional Reliability Standard; maintenance of a caseload index of under 12 months; initiation of a training video series that received over 1,000 “plays”; and a significant reduction of reported relay misoperations, which led to a major drop in reportable events across the footprint.

SPP RE continued to improve its audit processes by strengthening pre-audit evidence review, enabling audit teams to work more effectively and make assessments on some standards without further action during the audit.

In 2012, FERC approved NERC’s implementation of the Find, Fix, Track and Report (FFTR) disposition process for violations that represent a minimal risk to the Bulk Electric System (BES). SPP RE’s enforcement group implemented a triage process for incoming violations and processed 74 FFTRs. The group also targeted “High Impact” or high-risk violations for quick mitigation.

Registered Entities self-identified 54 percent of violations in 2012; SPP RE is encouraged by their willingness to become compliant by self-reporting.

SPP RE began using webCDMS (Compliance Data Management System) in 2012 to synch violation documents directly with NERC, adding automation and improving violation processing efficiency.

Event Analysis staff handled 17 reportable events and worked with some of the impacted Registered Entities to develop and publish seven regional Lessons Learned in 2012. Staff surveyed entities on their progress toward implementing recommendations from the FERC/NERC 2011 Southwest Cold Weather Event and 2011 Arizona-Southern California outage reports; results were shared with the entities, NERC, and the SPP RE Trustees.

NERC launched a Facilities Ratings alert program in 2010, with a goal of having all BES lines checked for clearances and ratings by the end of 2013. High-priority line assessments are now completed in the SPP region, with remediation completed or underway.

SPP RE held three workshops in 2012 with 463 participants and 10 webinars with 509 registrants; attendance increased approximately 20 percent over 2011.

SPP RE strives to continuously improve. According to the SPP RE 2012 stakeholder survey, ratings have increased annually in all five major categories and in “overall satisfaction” from 2010-2012.

## REGIONAL ENTITY TRUSTEES

The Regional Entity Trustees operate separately from SPP’s Board of Directors and have autonomy over decisions related to the SPP Regional Entity, including fund allocation and approval of their budget. The three independent trustees also provide oversight of SPP RE decisions on regional standards, compliance enforcement actions, and penalties.

From left:
John Meyer, Chairman;
Gerry Burrows; and
David Christiano
Our work on the Integrated Marketplace continued to progress during 2012. We moved from designing the systems and interfaces that will make the Marketplace work to building, testing, and integrating them. As 2013 began, the program was conducting Connectivity Testing and TCR (Transmission Congestion Rights) Market Trials, with an eye on the March 2014 go-live date.

The Marketplace leadership team did take the precautionary step of downgrading the program’s overall status to yellow during 2012. While much of the program’s work remains on schedule, delays in some software deliveries have compressed the testing schedule and increased the workload on program resources (the program defines yellow status as concern about meeting a deliverable on its assigned date).

The program’s leadership has been working thoughtfully and critically to mitigate the impact of any delays to testing. Market participants have requested at least nine months of market trials, which will require testing efforts in parallel with Market Trials. We remain confident we have the approaches and work plans in place to keep the work on track and to deliver a quality product on time.

The Integrated Marketplace remains a complex effort with many moving parts. We will continually be faced with opportunities and risks as we move forward, but our focus remains on getting everyone – SPP, vendors, and market participants – to the March 2014 finish line at the same time. To that end, we increased our leadership effort on the program’s three readiness areas (systems, market participants, and SPP staff) to ensure everyone is ready for Go-Live.

Readiness metrics will be crucial. Market participants and staff report regularly on their preparedness for Go-Live, and those results are measured in an online iDashboard. We have also stepped up our outreach efforts to members (with site visits and on-site training opportunities), vendors (with participant forums), and regulatory entities (with educational workshops).

The Marketplace completed two rounds of TCR Mock Auctions in August, with as many as 30 market participants involved. In October, the Marketplace Sandbox was opened, giving participants an opportunity to test their interfaces with the systems. By the end of the year, the Model Change Submission Tool had gone live, allowing market participants to submit their market- and reliability-related model changes.

As with all SPP initiatives, the Integrated Marketplace remains a collaborative effort involving various review groups and working groups. In the end, the payoff will be improved grid reliability and greater cost savings and efficiencies for the region.

Benefits

Since our inception in 1941, SPP has carefully added new services that provide economies of scale and facilitate efficiencies for our members. The Integrated Marketplace program is the latest – but most complex – incremental step yet in our evolutionary approach.

The Integrated Marketplace will coordinate next-day generation across the region to maximize cost-effectiveness, provide participants with greater access to reserve energy, improve regional balancing of electricity supply and demand, and facilitate the integration of renewable resources. It will include:

- A Day-Ahead Market with Transmission Congestion Rights (TCRs).
- A Reliability Unit Commitment process.
- Incorporation of a price-based Operating Reserve Market.
- Combining current Balancing Authorities into a single SPP Balancing Authority.
Connectivity Testing 11/12/2012 – 5/17/2013

Q1 13

Q4 12

TCR Market Trials 1/14/2013 – 9/27/2013

New MP (with assets) Registration 4/15/2013

Model Registration Changes 8/1/2013

Q3 13

TCR Go Live 10/28/2013


New MP (financial only) Registration 6/1/2013

Southwest Power Pool, Inc. 2012 Annual Report

INTEGRATED MARKETPLACE
Stakeholder Services

Customer Relations on-boarded three new members and added 16 new customers in 2012. The department also brought the automated Request Management System (RMS) online in October. The RMS, an automated tool that manages requests and disputes and their responses, closed all 484 inquiries received by year’s end – 97 percent of them within its established service-level agreement.

Each year, SPP asks its members and stakeholders to provide input on the services we provide, so we can learn what is working well and what needs improvement. Staff members review the feedback and then put plans in place to address concerns.

In 2012, the survey response rate was 12 percent, down from 20 percent in 2011. It is worth noting, however, we received 361 total responses in 2012, compared to 282 the prior year. The number of surveys sent almost doubled from 2011, which is attributed to the increase in stakeholders as a result of the Integrated Marketplace.

The survey results’ positive themes were staff responsiveness and training programs. Critical themes were the Generator Interconnection/Aggregate Study processes, increasing costs, and late material for organizational group meetings.

When compared to other RTOs (Regional Transmission Organizations) they interact with, 90 percent of respondents rated SPP the same or better.

Some key data regarding respondents:

- 75 percent were members.
- 58 percent do not interact with other RTOs and/or transmission providers.
- 33 percent of respondents work in operations; engineering is the next largest group at 11 percent.

Staff performance against expectations scored well from a “meets, exceeds, or greatly exceeds” view on responsiveness (93 percent), accurate information (90 percent), problem resolution (88 percent), and overall service satisfaction (90 percent). These results were all increases from the prior year.

Scheduling and reliability coordination were rated the highest for “service provisioning against expectations,” earning a score of 98 percent. Generation Interconnection/Aggregate Studies scored the lowest, at 81 percent.

In terms of “service importance,” training was rated highest at 95 percent. Meeting planning/organization and settlements were the lowest at 83 percent.
STAFF AND INTERNAL ORGANIZATION

Many months of careful planning resulted in a smooth transfer of SPP’s 538 employees and their offices from our three previous locations to the new campus.

The Corporate Center is designed for the work we do. The ODC includes a wall-size monitor that provides our operators an easy look at the SPP system and its various inputs. The office building’s work spaces are drenched with natural light, and numerous “touch-down areas” give staff ample space to brainstorm or work together on solutions to the issues we – and our members – face.

The auditorium can seat 540 people, allowing us to hold a single meeting for our entire staff; the conference center can host 240 people in six different rooms. A 300-seat cafeteria – including outdoor seating – and 11 beverage stations throughout the office space are just some of the perks that will help make us a local employer of choice.

The Corporate Center was built according to LEED (Leadership in Energy and Environmental Design) standards for measuring building sustainability. The certification process is still ongoing, but we hope our facility reaches Gold status with its natural light, use of recycled materials, and reserved parking for Alternative Fuel Vehicles.
STAFF AND INTERNAL ORGANIZATION

OUR VALUE

Two years ago, we began a focus on process-improvement that yielded $6.5 million in annual improvements. In 2012, the initiative resulted in an additional $1.9 million in savings from cost avoidance or productivity improvements for SPP.

SPP has developed a conservative estimate of the value we provide to members through shared regional costs and centralized services, as compared to each member operating on its own. SPP provides greater than a 10:1 benefit/cost ratio for members each year with our services, reflecting staff’s expertise, focus on serving members, facilitating key work processes, and the value of member-regional collaboration. These value estimates have been validated with several large and small members.

We have begun a comprehensive review of our revenue-fee structure to determine what will work best when the Integrated Marketplace comes online.

STAFF GROWTH AND MILESTONE SERVICE ANNIVERSARIES

We like to say we’re no longer operating in stealth mode. People tend to notice when a new, modern facility goes up in a metropolitan area, and they tend to notice when you aggressively hire the right people that fit with your corporate culture and the work you do.

We closed the year with 559 employees on staff. We are very close to our optimal staffing numbers, but we continue to strengthen our relationships with regional universities and improve our reputation as an employer of choice.

Five employees reached significant career milestones during 2012: Ron Taylor and Mike Thomas each celebrated 35 years of service, while Eddie Watson, Jeff Rooker, and Nick Brown all celebrated 30 years.

PROFESSIONAL DEVELOPMENT

How we do what we do is as important as what we do. Leadership, not management, holds the SPP Business Model together. That is why SPP is dedicated to developing and improving the leadership skills of its staff.

We completed another eight-week Leadership Program in 2012, training 28 more employees on the key leadership and cultural components that support our business model. The 2012 class raises the number of leadership graduates to 217 since 2006.

SPP’s unwavering commitment to employees’ long-term financial well-being was one of 10 employee-engagement initiatives featured in a Harvard Business Review study survey. The survey noted this commitment, combined with employee engagement, helps create a competitive advantage through stronger customer relationships and deeper organizational expertise. We could not agree more.

Joel Barker, a world-renowned futurist and expert on paradigms, headlined the 2012 Leadership Conference and spoke about the value and practical application of innovation. SPP’s Leadership Conference has been an annual event since 2006.

EMPLOYEE AWARD PROGRAMS

SPP honors its highest-performing employees with several award and recognition programs.

The John Marschewski Leadership Award is given each year to the employee who carries on the former president’s legacy of the ideals paramount to SPP’s success – hard work, a positive and encouraging attitude, and the understanding that relationships and attitude are crucial in achieving personal and organizational goals. Casey Cathey, manager of Market Support and Analysis, was awarded the 2012 Marschewski Award for constant efforts to improve SPP and for ensuring co-workers and members have the most accurate information possible to do their jobs. Chris Evans and Carrie Simpson were also recognized as finalists for the Marschewski Award.

President’s Awards are presented annually to peer-nominated employees who embody SPP’s core values, maintain a positive attitude, provide excellent service, and generally go above and beyond the call of duty. In 2012, President’s Awards were given to Stan Chapman, Erin Cullum, Donna Freeman, Dena Giessman, Marty Knight, Chuck Letzig, John Luallen, Jane Martin, Jeff Parker, Nick Parker, Cheryl Robertson, and Eddie Watson.
SPP employees continue to contribute to and participate in a wide range of community and volunteer activities, from blood drives to chili cook-offs, from the gift of time to holiday gifts. We believe people have to live outside of themselves to fully realize their potential, and resource-providing servants are essential to our culture of helping our members.

SPP employees once again set a record in winning the Little Rock area’s Summer Cereal Drive, contributing more than 27,000 boxes to the Arkansas Foodbank – and accounting for more than 13 percent of the drive’s total. The program helps provide hungry Arkansans with non-perishable breakfast items that are both nutritious and kid-friendly.

Our staff’s enthusiasm was evident during Little Rock’s Relay for Life and Susan G. Komen Race for the Cure events. SPP won the Team Fundraiser award and the Golden Pillowcase award – for team spirit and motivation – during the April Relay for Life, which benefits the American Cancer Society. In October, SPP was honored as the largest participating nonprofit and won a Best of the Best Team T-Shirt award for the Komen Race for the Cure.

In 2012, SPP joined the Heart of Arkansas United Way’s Corporate Cornerstone Club. This helped cover the organization’s administrative costs, and results in 100 percent of our staff’s contributions going directly to their designated charities.

We were also honored when Youth Home, Inc., named SPP as a 2012 Community Partner. The distinction is reserved for businesses and civic groups that have given substantially to Youth Home’s mission during the previous year. Youth Home has helped emotionally troubled adolescents and families become healthier contributing members of the community for almost 45 years.
Our Members*

SPP membership is voluntary and open to any electric utility, Federal power marketing agency, transmission service provider, and any entity engaged in the business of producing, selling and/or purchasing electric energy for resale. Members enjoy voting privileges and decision-making rights as participants in select organizational groups.

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 ³
Northeast Texas Electric Cooperative, Inc. ³
Rayburn Country Electric Cooperative ³
Sunflower Electric Power Corporation ¹ ² ³
Tex-La Cooperative of Texas, Inc. ² ³
Tri-County Electric Cooperative, Inc. ² ³
Western Farmers Electric Cooperative ² ³ ⁴

Independent Power Producers
Acciona Wind Energy USA, LLC ³
Calpine Energy Services, L.P. ³
CPV Renewable Energy Company, LLC ³
Dogwood Energy, LLC ³
EDP Renewables North America LLC ³
Enel Green Power North America, Inc. ³
Entergy Asset Management ³
NextEra Energy Resources, LLC ³
Tenaska Power Services Co. ³

Independent Transmission Companies
American Transmission Company, LLC ³
Grain Belt Express Clean Line LLC ³
Hunt Transmission Services, LLC ³
ITC Great Plains, LLC ³
Plains and Eastern Clean Line LLC ³
Prairie Wind Transmission, LLC ³
Trans-Elect Development Company, LLC ³
Transource Energy, LLC ³

Investor-Owned Utilities
American Electric Power ¹ ³
AEP Oklahoma Transmission Company, Inc. ² ³
AEP Southwestern Transmission Company, Inc. ³
Public Service Company of Oklahoma ² ⁴
Southwestern Electric Power Company ² ³

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 ³
Kansas Gas and Electric Company ² ⁴
Xcel Energy
Southwestern Public Service Company ¹ ² ⁴

Marketers
Cargill Power Markets LLC ³
Constellation Energy Commodities Group, Inc. ³ (merged into Exelon Generation Company, LLC, on February 1, 2013)
Duke Energy Transmission Holdings Company, LLC ³
Dynegy Power Marketing, Inc. ³
Edison Mission Marketing & Trading, Inc. ³
El Paso Merchant Energy, LP. 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 Coffeyville ² ³
City of Independence, Missouri ¹ ³
City Utilities of Springfield ¹ ² ³
Clarksdale Public Utilities Commission ³
Kansas Municipal Energy Agency ³
Kansas Power Pool (KPP) ² 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

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¹ Balancing Authority/Control Area in SPP
² Transmission Owner
³ Transmission-Using Member
⁴ Transmission-Owning Member

* As of December 31, 2012
SPP is incorporated and formed according to values and principles that include a relationship-based organization, member-driven processes, and independence through diversity of Organizational Group membership. SPP’s structure ensures members have input into the decision-making process.
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; Chair, 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, Oversight 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, Human Resources Committee, Liaison to 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; Chair, 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; Chair, 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.

1 Larry Altenbaumer moved from the Human Resources Committee to the Oversight Committee in June 2012.  
2 Julian Brix moved from the Oversight Committee to the Human Resources Committee in July 2012.
1. Michael Deggendorf  
Senior Vice President, Delivery, Kansas City Power & Light Company

2. Mo Doghman  
Vice President, Power Grid and Energy Delivery, Omaha Public Power District

3. Trudy Harper  
President, Tenaska Power Services  
January to April 2012

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

5. Cindy Holman  
General Manager, Oklahoma Municipal Power Authority

6. Robert Janssen  
President and General Manager, Dogwood Energy

7. Thomas Kent  
Vice President and Chief Operating Officer, Nebraska Public Power District

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

9. Brett Kruse  
Vice President, Market Design, Calpine Corporation

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

11. Mel Perkins  
Vice President of Power Delivery, OG&E Electric Services

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

13. Stuart Solomon  
President and CEO, Public Service Company of Oklahoma

14. Kevin Smith  
President, Tenaska Power Services  
October to December 2012

15. Noman Williams  
Vice President, Transmission Policy, Sunflower Electric Power Corporation

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

MOPC
Bill Dowling, Chair  
Markets and Operations Policy Committee  
Vice President, Energy Management and Supply, Midwest Energy, Inc.
1. Nick Brown, President and CEO
Nick has served SPP’s members since joining the organization’s staff as an engineer in 1985. He was elected President and CEO in 2004.

2. Michael Desselle, Vice President, Process Integrity and Chief Administrative Officer
Michael is responsible for developing, tracking, reporting, and training on SPP’s processes, procedures, and controls. He joined SPP in 2006.

3. Stacy Duckett, Vice President, Chief Compliance Officer and Corporate Secretary
Stacy oversees compliance, internal audit, market monitoring, and corporate communications. She serves as SPP’s Chief Security Officer and Corporate Secretary and supports the Board of Directors. She joined SPP in 2000.

4. Tom Dunn, Vice President, Finance and Chief Financial Officer
Tom is responsible for SPP’s accounting, settlements, credit, human resources, and facilities departments. He joined SPP in 2001.

5. Carl Monroe, Executive Vice President and Chief Operating Officer
Carl is responsible for SPP’s 24x7 operations in the areas of reliability coordination, provision of transmission service, transmission service scheduling, and operation of the real-time energy market. He also oversees short-term transmission service planning and engineering, information technology, and market development and design.

6. Lanny Nickell, Vice President, Engineering
Lanny is responsible for the continued development of the SPP Transmission Expansion Plan, administration of long-term transmission service and generation interconnection processes, and other engineering planning functions. He joined SPP in 1997.

7. Bruce Rew, Vice President, Operations
Bruce is responsible for SPP’s real-time operations, operational planning, and analysis support of all reliability coordination, market operations, tariff administration, and scheduling functions. He joined SPP in 1990.

8. Barbara Sugg, Vice President, Information Technology
Barbara is responsible for establishing IT strategy and policies and developing IT leadership. She joined SPP in 1999.

9. Paul Suskie, Senior Vice President, Regulatory Policy and General Counsel
Paul is responsible for managing SPP’s legal and regulatory policy groups. He joined SPP in 2011.
SELECT CORPORATE METRICS

Annual Average LIP

$30
$20
$10
$0
2010 2011 2012

Annual Average Gas Cost

$6
$4
$2
$0
2010 2011 2012

2012 Dollars Billed

EIS Market 49%
Transmission Market 41%
FERC Assessment 1%
SPP Admin Fee 3%

Annual Average LIP

$30
$20
$10
$0
2010 2011 2012

Annual Average Gas Cost

$6
$4
$2
$0
2010 2011 2012

Net Revenue Required

$100
$80
$60
$40
$20
$0
2010 2011 2012

Average Monthly Active Disputes

40
30
20
10
0
2010 2011 2012

Average Capacity (MW) at Peak Load

60
40
20
0
2010 2011 2012

Projects Approved for Construction

$2,000
$1,500
$1,000
$500
$0
2010 2011 2012

Regulatory Filings by SPP

400
300
200
100
0
2010 2011 2012

Annual Uplift

$0
$4
$8
$12
$16
2010 2011 2012
FINANCIALS

BALANCE SHEET

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$95,693</td>
<td>$73,763</td>
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<tr>
<td>Other Current Assets</td>
<td>$67,078</td>
<td>$57,440</td>
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<tr>
<td>Fixed Assets</td>
<td>$173,752</td>
<td>$112,188</td>
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<tr>
<td>Other Assets</td>
<td>$2,997</td>
<td>$2,915</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td>$339,520</td>
<td>$246,306</td>
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<tr>
<td><strong>Liabilities</strong></td>
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<td></td>
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<tr>
<td>Customer Deposits</td>
<td>$43,913</td>
<td>$34,903</td>
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<tr>
<td>Other Current Liabilities</td>
<td>$57,558</td>
<td>$62,213</td>
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<tr>
<td>Long-Term Debt</td>
<td>$258,258</td>
<td>$170,958</td>
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<tr>
<td>Other Long-Term Liabilities</td>
<td>$10,519</td>
<td>$7,654</td>
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<tr>
<td>Members’ Equity</td>
<td>( $30,728 )</td>
<td>( $29,422 )</td>
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<tr>
<td><strong>Total Liabilities and Equity</strong></td>
<td>$339,520</td>
<td>$246,306</td>
</tr>
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</table>

STATEMENT OF INCOME

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
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<tbody>
<tr>
<td>Total Revenue</td>
<td>$147,919</td>
<td>$128,940</td>
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<tr>
<td>Salary and Benefits</td>
<td>$72,262</td>
<td>$64,514</td>
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<tr>
<td>Other Expenses</td>
<td>$76,963</td>
<td>$73,466</td>
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<tr>
<td><strong>Net Loss</strong></td>
<td>($1,306 )</td>
<td>($9,040 )</td>
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* All figures in thousands


Fitch Ratings affirmed its “A” rating for SPP’s Senior Unsecured Debt and its “A+” rating for Senior Secured Debt in July. These ratings indicate our current long-term debt is investment grade with a low risk of default. Fitch based its ratings on the predictability and sustainability of our cash flows, relatively low business risk, our members’ creditworthiness, and a supportive federal regulatory environment.