Southwest Power Pool

FINANCE COMMITTEE MEETING

April 1, 2010

Dallas, Texas

• Summary of Action Items •

1. Approved minutes from February 9, 2010 meeting
2. Accepted 2009 financial audit report
3. Approved 2010 funding levels for defined benefit pension and post-retirement healthcare plans.
4. Approved financing structure for $130MM in term notes, amended prior approval to allow for all new debt to be issued unsecured, approved issuance of $20MM revolving line of credit to replace existing $20MM revolving line of credit.

• Schedule of Follow up Items •

1. Identify entities with poor meter data quality and offer to assist in improving the quality of meter data submission. Report to the committee the results of this effort.
2. Draft organizational charter to propose forming a task force focused on meters within SPP.
3. Formal review of forecast administrative fee for 2011 and 2012 in July 2010.
4. Review/determine benefits & costs of individual SPP services
5. Report financial impact of extending depreciation lives on SPP's annual property tax bill.
6. Add language in Credit Working Group charter restricting sharing of individual or confidential information

FINANCE COMMITTEE MEETING

April 1, 2010

Dallas, Texas

• M I N U T E S •

Call to Order

Harry Skilton called the meeting to order at 8:30 am. The following members were in attendance:

Mr. Harry Skilton	Director
Mr. Larry Altenbaumer	Director
Mr. Kelly Harrison	Westar Energy
Mr. David Sartin	AEP
Ms. Trudy Harper	Tenaska
Mr. Gary Voigt	Arkansas Electric Cooperative
Mr. Tom Dunn	Southwest Power Pool

Southwest Power Pool staff participating: Nick Brown, Michael Desselle, and Dianne Branch
SPP members participating: Carol Shoemake (OG&E)
Other guests: Keith Conine (BDK), Steve Osborn (Osborn, Carreiro & Associates)

Minutes

The minutes from the February 9, 2010 meeting were reviewed. Larry Altenbaumer motioned to approve the minutes. The motion was seconded by Kelly Harrison and approved by unanimous voice vote.

2009 Financial Audit

Keith Conine of BKD, LLC reviewed with the Committee their findings upon completing an audit of SPP's 2009 financial statements. Mr. Conine first reminded the Committee of the auditor's responsibility as outlined in the engagement letter. Next, he informed the Committee that the audit of SPP did not:

- identify any matters requiring alternative accounting treatments,
- identify any audit adjustments
- identify any material weaknesses
- identify any significant deficiencies

Mr. Conine identified "other matters" discussed with management regarding segregation of duties and review of actions by system administrators. The Committee encouraged SPP management to address these issues in as practical a manner as soon as possible. Next, Mr. Conine discussed additions to the footnotes regarding tax matters and disclosures surrounding pensions.

The Committee convened a brief executive session with Keith Conine of BKD, LLC.

Upon returning from executive session, Gary Voigt motioned to accept the audit report in its entirety. The motion was seconded by Larry Altenbaumer and approved by unanimous voice vote.

2010 Benefit Plan Funding

Steve Osborn of Osborn, Carriero & Associates reviewed with the Committee his actuary report on SPP's defined benefit pension plan and post-retirement healthcare plan. Regarding the defined benefit pension plan, Mr. Osborn indicated SPP had no required funding needed in 2010 but recommended SPP fund $3,121,000 which equates to the benefits expected to be earned by employees during 2010. Mr. Osborn also highlighted the plan's termination cost as January 1, 2010 was $15,000,000 but would increase as employees accrued additional benefits and accounting for early retirement subsidies. Regarding the post-retirement healthcare plan, Mr. Osborn indicated the cost of the plan for 2010 would be $511,000. He also discussed the potential impact on the plan based on a high level review of the recent healthcare reform legislation. Finally, he indicated SPP will likely be eligible for a 28% subsidy for pharmaceuticals used by retirees under this plan.

Trudy Harper motioned to approve funding for 2010 for the pension plan at $3,121,000 and for the post-retirement healthcare plan at $511,000. The motion was seconded by Larry Altenbaumer and approved by unanimous voice vote.

Process Integrity Report

SPP staff led a discussion regarding internal processes and opportunities to achieve efficiencies and cost savings. Staff first discussed SPP's "process" evolution, the function of the Project Review and Prioritization Committee and highlighted numerous efficiencies already achieved. The Committee encouraged staff to develop meaningful metrics which can be used to assess progress and capture the benefits of additional efficiency realization in the future. Additionally, SPP should review efficiencies by focusing on three areas: cost savings, quality, and value.

SAS 70 RFP Process

SPP staff reported they had held discussions with the internal audit staff of SPP's SEC jurisdictional members on February 24 to discuss the process to be used to select an auditor of SPP's control environment and to share the names of the eight firms being invited to respond to SPP's RFP. Vendor responses were due on March 31, 2010 and will be reviewed by SPP staff and its membership prior to a recommendation being presented to the Committee at its July 9, 2010 meeting. Staff was asked to apprise the Committee with written reports following internal review of the responses and following member review of the responses.

Facilities

SPP staff advised the Committee regarding an office property now listed for sale in Little Rock with enough size to house SPP's administrative staff. The property consists of three buildings with over 200,000 s.f. of total space (buildings are 20 and 30 years old). Pursuing this property would require SPP to abandon its stated objective of having its facilities co-located on a single campus. The property owners have not indicated an initial asking price, however there is a chance the property could be acquired (and updated) for less than the cost to construct the proposed administrative office building in west Little Rock. SPP will continue to pursue its planned campus project but will also investigate further the costs of acquiring the newly listed property and compare the cost differential to new construction. An additional meeting of the Finance Committee is scheduled for April 20, 2010 at 8am to discuss any new information.

Financing

SPP staff discussed several proposed financing structures to meet SPP's forecast capital expenditure program of $176,000,000 through 2012. Of particular importance are the current low yields on treasuries which serve as the base index for pricing SPP debt. SPP has investigated numerous financing options including straight bond issuance to retail investors, private placements, bank financing, combined bank financing and private placements. Additionally, SPP has had numerous conversations with its existing bank lenders to revise/remove the financial reporting covenants in its existing loan obligation and other opportunities to develop meaningful loan covenants prior to issuing new financing. Finally, SPP staff discussed opportunities to renew/replace its existing revolving credit facility for a new three year term with pricing consistent with the pricing in the existing revolving facility.

Trudy Harper motioned to approve a debt structure consisting of two series of private placements of $70,000,000 for 32 years and $60,000,000 for 13 years, with the following provisions:

- allow SPP management flexibility to change funding amounts on either or both series within +/- $5,000,000.
- funding amounts of delayed draws should be set at the issuance date based on the most recent cash forecast.
- permit delays in placements if forecasts indicate a reduction or postponement in spending.
- authorize a filing with FERC and AR PSC to amend their authorization to allow up to $150 million unsecured.

Recommend to SPP's Board of Directors issuance of three year revolving credit facility in the amount of $20 million to replace existing revolving credit facility prior to its stated maturity. The motion was seconded by Kelly Harrison and approved by unanimous voice vote.

Follow-Up Items

1) Settlement Process for SPP Administrative Fee – SPP staff reviewed the monthly process for billing and collecting assessments and schedule 1A charges.
2) Depreciation Policy – SPP staff reviewed a draft policy proposal which would extend depreciable lives of certain software and real property up to 7 and 30 years respectively. Staff also advised the Committee this extension of depreciable lives would result in an increase in SPP's property taxes. SPP staff will detail the financial impact of extending the life of these assets and report to the Committee at its next meeting.
3) Organizational Group Charter – Credit Working Group – SPP staff reviewed a proposed a charter for the Credit Working Group. Committee members requested the charter contain additional language documenting that the group will not review individual customer credit exposures and would not be privy to confidential information on any individual customers. SPP staff will add language and forward to the Committee for approval.
4) FERC NOPR – SPP staff reviewed SPP's response to the FERC credit NOPR. The response was developed by SPP stakeholders and facilitated by SPP staff. A few members of the Committee expressed displeasure with the response, specifically that the response did not "push the envelope" in driving significantly stronger credit provisions be mandated by FERC. The Committee requested SPP staff develop a proposal of credit provisions suggested to eliminate potential default risk.
5) Administrative Fee with Depreciation – SPP staff reviewed a model of its administrative fee if depreciation was included in the calculation of rates. The model indicated SPP's administrative fee through 2016 would be higher with depreciation in the rates than under the current model where scheduled principal payments on debt are included in the rates.

Financial and Project Reports

SPP staff reviewed financial reports for the year to date period ending February 28, 2010. Points highlighted were:

- Revenues below budget by 2%, primarily due to recognition of LG&E 890 settlement in 2009 while budget assumed recognition in 2010.
- Expenses 2.7% below budget due to slower staffing, lower health plan utilization, and lower legal and regulatory expenditures.
- The revenue and expense variances are expected to remain throughout fiscal year 2010.
- Forecast indicates SPP will remain in compliance with its debt covenants through 2012.
- Capital expenditures are under budget due to delays in Future Markets and New Facilities projects.

Future Meetings

The next scheduled meeting of the SPP Finance Committee will be held on April 20, 2010 from 8:00 am to 9:00 am via teleconference. The primary topic for this meeting will be review of new information on office properties listed for sale in Little Rock.

Adjourn

There being no further business, Harry Skilton adjourned the meeting at 3:00 pm.

Respectfully Submitted,

Thomas P. Dunn
Secretary

Southwest Power Pool, Inc.

FINANCE COMMITTEE MEETING

April 1, 2010

Dallas, Texas

DFW - Hyatt

• AGENDA •

8:30 am – 3:00 pm

1. Old Business – approval of minutes .... Harry Skilton
2. New Business – 2009 Financial Audit .... John Rowland
3. New Business – 2009 Actuary Report/Benefit Plan Funding for 2010 .... Steve Osborn/Tom Dunn
4. New Business – Efficiencies .... Michael Desselle
5. New Business – 2010-11 SAS 70 Engagement .... Michael Desselle
6. Old Business – Facility Project .... Tom Dunn
7. Old Business – 2010 Financing .... Tom Dunn
8. Old Business – Follow-up Items ....
   a. Settlement Process for SPP Admin Fee .... Philip Bruich
   b. Depreciation Policy .... Tom Dunn
   c. Org Group Charter – Credit Working Group .... Tom Dunn
   d. FERC NOPR (SPP Response) .... Tom Dunn
   e. Admin fee w/ depreciation .... Tom Dunn
9. Old Business – Organization Scope Review .... All
10. Financial and Project Reports .... All
11. Future Meetings .... All

Southwest Power Pool

FINANCE COMMITTEE MEETING

February 9, 2010

Dallas, Texas

• Summary of Action Items •

1. Approved minutes from December 7, 2009 meeting

• Schedule of Follow up Items •

1. Identify entities with poor meter data quality and offer to assist in improving the quality of meter data submission. Report to the committee the results of this effort.
2. Draft organizational charter to propose forming a Credit Working Group.
3. Draft organizational charter to propose forming a task force focused on meters within SPP.
4. Review settlement process for SPP administrative fee.
5. Formal review of forecast administrative fee for 2011 and 2012 in July 2010.
6. Distribute schedule detailing comparison of services across ISO/RTO
7. Update 2010 ISO/RTO budget information to include load served
8. Model administrative fee impact of including depreciation in rate recovery instead of scheduled principal payments on outstanding debt.
9. Review/determine benefits & costs of individual SPP services
10. Review of proposed changes to SPP depreciation schedules

Southwest Power Pool

FINANCE COMMITTEE MEETING

February 9, 2010

Dallas, Texas

• M I N U T E S •

<u>Call to Order</u>

Harry Skilton called the meeting to order at 8:30 am. The following members were in attendance:

Mr. Harry Skilton	Director
Mr. Larry Altenbaumer	Director
Mr. Kelly Harrison	Westar Energy
Mr. David Sartin	AEP
Ms. Trudy Harper	Tenaska
Mr. Gary Voigt	Arkansas Electric Cooperative
Mr. Tom Dunn	Southwest Power Pool

Southwest Power Pool staff participating: Nick Brown, Michael Desselle, Carl Monroe, and Bruce Rew
SPP members participating: Carol Shoemake (OG&E)

<u>Minutes</u>

The minutes from the December 7, 2009 meeting were reviewed. Kelly Harrison motioned to approve the minutes. The motion was seconded by David Sartin and approved by unanimous voice vote.

<u>Administrative Fee Strategy</u>

SPP staff provided and discussed the basic tenants of SPP's current administrative fee structure including; i) tariff language, ii) history, iii) peer group comparison, iv) administrative fee cost to tariff customers, v) value of SPP services, and vi) pro forma model of administrative fee levels from 2010 – 2016 using four scenarios (pay as you go, levelized, levelized stairs, and lowest).

The Committee participated in a discussion and exchange of ideas related to SPP's administrative fee covering both the administrative fee's impact in a utility's rate structure and the attractiveness of different structures for the administrative fee. Regarding structures, discussion ranged from whether it is better to have a rate that expects consistent scheduled adjustments, is stable for numerous years, builds working capital balances on SPP's balance sheet, etc. Additionally, discussion also occurred around whether SPP's current model of a single fee for all services was more or less desirable than an un-bundled fee where each service is priced separately and billed only to those customers who use the service. The Committee seemed to reach agreement that the current bundled rate met the needs of most SPP customers but SPP should attempt to provide greater clarity around its cost of service by service.

Ultimately, the Committee agreed the following were important aspects of the SPP administrative fee:

- Predictable – accurate SPP forecasts
- Smooth – doesn't move in a volatile manner
- Scheduled – visibility to changes rate are known in advance
- Diligent 3yr Forecast – forecast has strong correlation to future actual results

SPP staff was asked to provide additional information to the Committee on the following items:

- Comparison of services for ISO/RTO peers
- Load served by ISO/RTO peers

- Model administrative fee with recovery of depreciation
- Determine the benefits and costs of individual services
- Proposed changes to SPP's depreciation schedules

2010 Schedule 12 Fee

SPP staff reviewed the expected change to SPP's schedule 12 rate for 2010 (schedule 12 recovers costs associated with FERC's annual assessment of SPP). The 2010 rate will increase from slightly under 5 cents/MWh in 2009 up to slightly under 6.75 cents/MWh in 2010. The increase is driven by growth in FERC's assessment of SPP as well as true-up of under-recovery in 2008.

2010 Financing Strategy

SPP staff reviewed SPP's currently outstanding debt issues and payment obligations, the 2010 – 2012 capital expenditure project list and budget, and a proposed strategy to obtain funding for budgeted capital expenditures. SPP intends to engage a placement agent to market a private placement of up to $150MM in term debt incorporating various tranches and delayed funding alternatives to maximize SPP's benefits while minimizing risk and costs. SPP staff will return to the Committee in the near future seeking approval of specific issuances.

Other Issues

SPP staff verbally reported on SPP's compliance with its loan covenants at the end of 4Q'09. Also, staff updated the Committee on the status of negotiating an extension of the ICT agreement with Entergy.

Credit Discussion

At 2:00 pm the Committee convened a discussion of the recently issued Notice of Proposed Rulemaking by FERC covering specific credit issues related to ISO/RTO markets. The Committee welcomed the following individuals to participate in the discussion:

Tom Fritsche	Southwest Power Pool
Phil McCraw	Southwest Power Pool
Mark Soulliere	Tenaska
Mark Holler	Tenaska
Terri Wendlandt	Westar
Chandima Kodituwakku	AEP

SPP staff provided a brief summary of each specific component of the NOPR and summarized the initial direction from the membership. In general, SPP and its membership are supportive of the intent of FERC related to strengthening the credit requirements for participation in regional energy markets. SPP will continue to work with the membership to draft a response to the rulemaking which is specific to SPP and its members' interests. SPP will also participate in a joint filing of its ISO/RTO peer group responding to the proposed rulemaking.

Future Meetings

The next scheduled meeting of the SPP Finance Committee will be held on April 1, 2010 from 8:30 am to 2 pm at the Hyatt Regency DFW Airport Hotel in Dallas, TX. The primary topic for this meeting will be review of SPP's 2009 financial audit report and determination of 2010 benefit plan funding.

An interim teleconference meeting of the SPP Finance Committee will be held at a to-be-determined date and time in advance of the scheduled April 1 meeting. SPP will discuss and seek approval of its specific financing program at this time as well as discussing proposed changes to its depreciation policy and response to the FERC NOPR on credit requirements.

Adjourn

There being no further business, Harry Skilton adjourned the meeting at 4:15 pm.

Respectfully Submitted,

Thomas P. Dunn
Secretary

Southwest Power Pool

Southwest Power Pool, Inc.

FINANCE COMMITTEE

Report to the Board of Directors

April 27, 2010

2009 Financial Audit Acceptance

Organizational Roster

The following persons are members of the Finance Committee:

Harry Skilton	Director
Larry Altenbaumer	Director
Gary Voigt	Arkansas Electric Cooperatives Corp.
Trudy Harper	Tenaska
David Sartin	American Electric Power
Kelly Harrison	Westar Energy

Background

SPP annually engages a Certified Public Accounting firm to audit its financial statements and accounting controls. The SPP Board of Directors at its October 27, 2009 meeting accepted the recommendation of the Finance Committee to engage BKD, LLC to perform an audit of SPP's 2009 financial results.

Analysis

BKD, LLC has completed and published its audit of SPP's 2009 financial results. The Finance Committee, at its April 1, 2010 meeting met with representatives of BKD, LLC and discussed their findings, specifically focusing on: 1) adequacy of SPP's accounting policies and procedures, 2) adequacy of internal control procedures and the extent tested, and 3) any areas of weakness or concern that SPP should address going forward.

Recommendation

The Finance Committee recommends the SPP Board of Directors accept in its entirety the 2009 audit report and findings of BKD, LLC.

Approved: Finance Committee April 1, 2010

Action Requested: Approve Recommendation

Southwest Power Pool, Inc.

FINANCE COMMITTEE

Recommendation to the Board of Directors

April 27, 2010

2010 Defined Benefit Pension Plan and Retiree Healthcare Plan Funding

Organizational Roster

The following persons are members of the Finance Committee:

Harry Skilton	Director
Larry Altenbaumer	Director
Gary Voigt	Arkansas Electric Cooperatives Corp.
Trudy Harper	Tenaska
David Sartin	American Electric Power
Kelly Harrison	Westar Energy

Background

The SPP Finance Committee is charged with review of reports from the plan's actuary, establishing funding policies, and recommending annual funding levels for the plans to the SPP Board of Directors. SPP engaged Osborn, Carreiro & Associates ("the Actuary") to perform actuarial valuation reports of the SPP Defined Benefit Retirement Plan and SPP Post-retirement Benefits Plan as of January 1, 2010.

Analysis

SPP Defined Benefit Retirement Plan

The report identifies 2010 accounting expense for the plan as well as minimum and maximum contributions for the plan. The Actuary determined 2010's minimum contribution level to be $0[1] and maximum suggested level to be $3,173. SPP's 2010 budget anticipated contributions to the pension plan of $3,353; through April 2010 SPP has contributed $1,082 to the pension plan in the current fiscal year. To meet the maximum suggested funding level SPP must contribute $261/mo through the remainder of 2010. SPP would need to fund $284/mo to fund in accordance with the approved 2010 budget.

The schedule below illustrates the historical funding of the SPP Retirement Plan:

	2006	2007	2008	2009	2010
Maximum Contribution (tax deductible)	$4,976	$5,257	$3,394	$3,121	$3,173
Minimum Contribution	1,329	1,014	0	0	0
Actual Contribution	2,234	2,500	2,500	3,000	
Projected Benefit Obligation (PBO)	$11,414	$16,424	$17,112	$20,064	
Accumulated Benefit Obligation (ABO)	8,788	12,098	12,786	15,211	
Fair Value of Plan Assets	8,925	13,045	11,023	17,822	
Discount Rate	7.00%	7.00%	6.50%	6.50%	6.75%
Funded Status vs. PBO	-$2,489	-$3,379	-$6,098	-$2,242	
Funded Status vs. ABO	137	947	-1,763	2,611	

[1] All dollar amounts expressed in thousands

SPP Southwest Power Pool

SPP Retirement Plan Fund Status as of December 31, 2009

The fund had total assets of $17,822 versus the Plan's Accumulated Benefit Obligation of $15,211 and the Projected Benefit Obligation of $20,064. The Actuary estimates participants active on January 1, 2010 will accrue $2,500 in benefits during fiscal year 2010; including participants added during 2010, accrued benefits total $3,121.

SPP Post-retirement Benefits Plan

In 1995, the Board of Directors approved retiree medical coverage for all SPP employees who retire at their Normal Retirement Date as defined in the SPP Retirement Plan. The Board also awarded benefits under this plan to those employees of record on January 1, 1996 who retire between the ages of 55 - 65. The SPP Board acted in 2006 to limit benefits from the plan to only those employees hired prior to June 1, 2006. As of January 1, 2010 SPP had 158 active employees covered in the plan and 2 retirees.

The Actuary estimated 2010 net periodic post retirement benefit cost to be $511. This computation is based on a 6.75% discount rate, and a 7% investment return on plan assets, and retirement at age 65. The health care cost trend was assumed to increase 10% next year, 9% the year after and so on down to 5% and remain there thereafter. SPP's 2010 budget approved $657 in funding for post retirement benefits. SPP has contributed $219 to the post retirement benefits fund in the current fiscal year (4/2010). In order to meet the Actuary recommended funding SPP would need to contribute $292 ($36.5/mo) through the remainder of 2010. SPP would need to fund $55/mo to fund in accordance with the approved 2010 budget.

	2006	2007	2008	2009	2009
Actual Contribution	$549	$629	$586	$633	
Pension Cost	629	629	586	634	511
Accumulated Benefit Obligation (ABO)	$3,893	$4,046	$4,359	$4,640	
Fair Value of Plan Assets	$3,524	$4,363	$3,625	$5,228	
Funded Status vs. ABO	-$369	$317	-$734	$588	
Plan Participants – Active	169	192	178	164	158
Plan Participants – Retired	2	3	2	2	2

Recommendation

Approve 2010 funding of the SPP Retirement Plan at $3,173.

Approve 2010 funding of the SPP Post-retirement Benefits Plan at $511.

Approved: Finance Committee April 1, 2010

Action Requested: Approve Recommendation

SOUTHWEST POWER POOL
RETIREMENT PLAN

ACTUARIAL VALUATION
AS OF JANUARY 1, 2010

Osborn, Carreiro & Associates, Inc.

ACTUARIES · CONSULTANTS · ANALYSTS

One Union National Plaza, Suite 1690
124 West Capitol Avenue
Little Rock, Arkansas 72201
(501) 376-8043
FAX (501) 376-7847

March 24, 2010

Mr. Thomas P. Dunn
Vice President
Southwest Power Pool
415 North McKinley, #140 Plaza West
Little Rock, AR 72205-3020

Dear Mr. Dunn:

This report presents the results of our actuarial valuation of the assets and liabilities of the Southwest Power Pool, Inc. Retirement Plan as of January 1, 2010.

A brief summary of the more important figures developed in this valuation, with comparable results from prior reports, follows:

	1/1/08	1/1/09	1/1/10
Individuals included	332	389	468
Total Covered Salary	$26,175,856	$27,762,784	$34,997,742
Assets of the Plan	$13,044,757	$11,023,001	$17,822,299
Contribution Levels	2008	2009	2010
Maximum tax deductible under Pension Protection Act '06	$ 3,393,861	$13,099,888	$ 7,266,619
"Old" Maximum/Suggested	$ 2,376,754	$ 3,121,035	$ 3,173,115
Minimum required	$ 0	$ 0	$ 0
Pension "expense" under accounting rules	$ 2,349,455	$ 2,799,392	$ 2,762,552

Current Status of the Plan

The contribution for the 2010 Plan Year must be between $ 0 and $7,266,619. At least the minimum must be paid by September 15, 2011.

The contribution levels have changed since last year because of the following reasons:

(1) The covered salary has increased by 26%. This generally causes the dollar contribution levels to increase. The retirement benefits are based on pay (and service). When pay goes up, the anticipated retirement benefits also go up, which causes the cost of the plan to go up.

(2) Offsetting the above loss, was the strong investment return in 2009. That return was 31.5%.

Some Considerations For Determining Contribution Level

It is often helpful to review the status of a retirement plan in terms of how much money would be required if the plan were terminated. If your plan were terminated on January 1, 2010, I estimate that the total liability would be about $15 million (using a 6.00% discount rate). This compares to assets of about $18 million. However, be aware of three items:

(1) During the year 2010 employees will accrue additional benefits worth about $2.5 million.

(2) These numbers do NOT include the value of the subsidized early retirement feature. This subsidy applies when an active employee retires after age 55 (provided the employee was age 45 and had 5 years of service by December 31, 2006). It does not apply when an employee terminates before age 55. The current value of this subsidy is about $3 million.

(3) The discount rate of 6.00% changes over time with the markets. If the rate goes down, the termination liability will go up.

For the past two years you decided to contribute the "Old" Maximum (i.e., before the Pension Protection Act for 2006), plus the cost for anticipated new hires. Following that same methodology, the contribution for 2010 could be $3,121,000 (i.e., the "suggested" amount).

Top-Heavy Status

Appendix E contains a "top-heavy" test. In 1982 Congress passed a law containing the top-heavy rules. Basically a plan under which the "key employees" benefit the most is considered top-heavy. A top-heavy plan must accelerate its vesting and provide certain minimum retirement benefits.

Pension Cost For Accounting Purposes

Exhibit 3 contains a calculation of "pension cost", as defined by Statement of Financial Accounting Standards No. 87 ("SFAS 87"), for calendar 2010. Pension cost is the cost of the plan as recorded in the sponsor's GAAP (Generally Accepted Accounting Principles) financial statements. This accounting pension cost under this guideline will almost always differ from the actual cash contribution to the plan. Let me emphasize that SFAS 87 only dictates the cost shown in the sponsor's GAAP financial statements - Sound actuarial projections should be used to determine the actual cash contribution requirements.

The 2010 pension cost is $2,762,552.

The cash funding requirement is different from the pension cost for basically three reasons:

1. Different assumptions: SFAS 87 prescribes certain guidelines for the assumptions used in that calculation.
2. Different actuarial cost methods: The SFAS 87 calculation uses the Projected Unit Credit method, while the recommended contribution is based on another method.
3. Different amortization techniques: The SFAS 87 calculation generally uses straght-line amortization. The funding calculation uses a principal and interest amortization as required by ERISA.

Report Format

The report is been broken into five "Exhibits" and six "Appendices". The Appendices contain certain technical information that we feel is necessary to meet professional actuarial standards. However, the information in these Appendices may not be particulary useful to you. We've endeavored to put the important information into the five Exhibits.

This report is based on the participant and financial data supplied by the plan sponsor. We did not audit this data, although we did review it for reasonableness and consistency. We have relied on the data provided to us. If any of the data provided to us is incorrect or incomplete, the results of our calculations could be materially different. The purpose of this report is to help the plan sponsor evaluate the plan status and funding requirements for an on-going plan, and to present certain actuarial items required for disclosure purposes. This report is not intended for any other purpose or for use by persons who are not familiar with such matters.

If you have any questions or comments about this report or about your plan, please let me know.

Sincerely,

Steve Osborn, F.S.A., M.A.A.A.
Enrolled Actuary 3095

TABLE OF CONTENTS

EXHIBIT 1

EXECUTIVE SUMMARY

	1/1/08	1/1/09	1/1/10
1. Individuals included in report			
a. Active	295	344	418
b. Inactive	37	45	50
c. Covered Payroll	$26,175,856	$27,762,784	$34,997,742
2. Normal Cost Amount	$ 1,826,233	$ 2,025,358	$ 2,556,156
Normal Cost Rate	6.98%	7.30%	7.30%
3. Assets	$13,044,757	$11,023,001	$17,822,299
Investment Return for year	17.2%	-30.9%	31.5%
4. Funding Levels			
Maximum under Pension Protection Act	$ 3,393,861	$13,099,888	$ 7,266,619
Suggested	$ 2,376,754	$ 3,121,035	$ 3,173,115
Minimum	$ 0	$ 0	$ 0
5. Accounting Information (for use in auditor's report)			
a. Present Value of Vested Benefits	$ 8,247,701	$ 9,625,858	$11,657,277
b. Present Value of Non-vested Benefits	3,850,671	3,160,043	3,553,301
c. Present Value of Accumulated Benefits	$12,098,372	$12,785,901	$15,210,578
d. Pension Expense per SFAS No. 87 for 2008, 2009, and 2010	$ 2,349,455	$ 2,799,392	$ 2,762,552
6. Top-Heavy Ratio	26.1%	29.8%	24.1%

EXHIBIT 2

SUMMARY OF FINANCIAL INFORMATION

	Plan Year Ended 12/31		
	2007	2008	2009
A. INCOME			
1. Contributions			
Employer	$ 2,500,000	$ 2,500,000	$ 2,999,997
Employee	0	0	0
Other	0	0	0
2. Investment Income			
a) Interest & Dividends	542,887	297,546	311,914
b) Realized gains	260,379	221,229	- 112,219
c) Unrealized apprec.	1,008,527	-4,832,540	3,802,445
d) Investment expenses	- 70,535	- 86,524	- 81,372
Subtotal	1,741,258	-4,400,289	3,920,768
TOTAL	$ 4,241,258	$-1,900,289	$ 6,920,765
B. EXPENSES			
1. Administrative	$ 0	$ 0	$ 0
2. Benefits	121,467	121,467	121,467
TOTAL	$ 121,467	$ 121,467	$ 121,467

EXHIBIT 2 (Continued)

	12/31/07	12/31/08	12/31/09
C. ASSETS (Market Basis)			
1. Short Term			
Cash	$ 1,290	$ 2,580	$ 2,932
Money Markets	18,153	350,763	1,053,156
2. U S Treasury Bills	0	0	1,049,990
3. Fixed Income			
Government	2,265,926	1,636,353	671,346
Corporate	1,410,977	1,463,651	2,017,183
4. Common Stocks	4,803,045	3,990,586	7,091,072
5. Mutual Funds			
Fixed Income	0	0	0
Equity	4,502,340	3,537,828	5,887,476
6. Other			
Contribution receivable	0	0	0
Benefits payable	0	0	0
Accrued Interest	43,026	41,240	49,144
Other	0	0	0
TOTAL	$13,044,757	$11,023,001	$17,822,299
D. NET INVESTMENT RETURN:	17.2%	-30.9%	31.5%

EXHIBIT 2 (Continued)

		1/1/08	1/1/09	1/1/10
E.	INFORMATION FOR PBGC FORM 1			
1.	Interest Assumption	4.93% 6.13% 6.69%	6.72% 7.12% 6.36%	2.35% 5.65% 6.45%
2.	Present Value of Vested Benefits	$ 8,337,773	$ 9,503,471	$13,217,566
3.	Actuarial Value of Assets	13,044,757	11,023,001	17,822,299
4.	Unfunded Vested Benefits	$ 0	$ 0	$ 0
5.	(4) rounded up	$ 0	$ 0	$ 0
6.	Variable Premium 0.9% of (5)	$ 0.00	$ 0.00	$ 0.00

EXHIBIT 3

ACCOUNTING INFORMATION

This Exhibit is included to provide information according to SFAS No. 35 disclosure requirements.

STATEMENT OF ACCUMULATED PLAN BENEFITS

	1/1/09	1/1/10
Assumed Investment Return	6.50%	6.75%
Actuarial present value of accumulated plan benefits		
Vested Benefits		
Participants currently receiving benefits	$ 1,446,156	$ 1,391,375
Other Participants	8,179,702	10,265,902
	-----------	------------
	9,625,858	11,657,277
Non-Vested Benefits	3,160,043	3,553,301
Total actuarial present value of accumulated plan benefits	$12,785,901	$15,210,578

STATEMENT OF CHANGES IN ACCUMULATED PLAN BENEFITS

Actuarial present value of accumulated plan benefits at beginning of year	$12,098,372	$12,785,901
Increase (Decrease) attributable to:		
Plan Amendment	0	0
Benefits Accumulated*	808,996	3,166,160
Benefits Paid	(121,467)	(121,467)
Change in Assumptions	0	(620,016)
Actuarial present value of accumulated plan benefits at end of year	$12,785,901	$15,210,578

* Includes effect of interest and actuarial gains and losses.

EXHIBIT 3 (Continued)

SFAS No. 87 Pension Cost for 2010

A. Reconciliation of Funded Status	1/01/10	Projected 12/31/10
1. Actuarial present value of accumulated benefit obligations		
a. Vested portion	$(11,657,277)	$(13,886,097)
b. Non-Vested portion	(3,553,301)	(4,232,677)
2. Accumulated Benefit Obligation	(15,210,578)	(18,118,774)
3. Effect of estimated future pay growth	(4,853,465)	(5,781,426)
4. Projected Benefit Obligation	$(20,064,043)	$(23,900,200)
5. Plan assets at fair value	17,822,299	22,049,142
6. Pension asset (liability): (4)+(5)	$(2,241,744)	$(1,851,058)
7. Unrecognized net (gain) or loss	4,344,179	4,206,663
8. Unrecognized prior service cost	(17,930)	(17,186)
9. Unrecognized net obligation	181,137	164,671
10. Accum. Other Comp. Income: (7)+(8)+(a)	$ 4,507,386	$ 4,354,148
11. Total: (6) + (10)	$ 2,265,642	$ 2,503,090

B. Determination of Pension Cost	2010
1. Service Cost	$ 2,442,530
2. Interest Cost (on A(4) and B(1))	1,515,094
3. Expected return on assets	(1,348,310)
4. Amortization of	
a. Unrecognized net (gain) or loss	137,516
b. Unrecognized prior service cost	744
c. Unrecognized net obligation	16,466
5. Net Periodic Pension Cost	$ 2,762,552

C. The assumptions are shown in Appendix E.

D. Unrecognized net obligation of $411,661 added 1/1/96 is amortized on a straight line basis over 25 years. Prior Service of $708,682 added 1/1/98 is amortized over 24 years. Prior service of $(469,257) added 1/1/07 is amortized over 17 years. 10% corridor used for unrecognized net (gain) or loss. Projected 12/31/10 assumes a 2010 contribution of $3,000,000, but net periodic pension cost of $2,762,552.

Exhibit 4

Employee Profile

Employee data needed for the valuation was obtained from the records furnished by the administrator. The following table shows a detailed breakdown of the present participants by the number of participants and current salary rate.

Actives

Age		*Years of Service* 0-4.9	5-9.9	10-14.9	15-19.9	20-24.9	25-29.9	30 and Over	Total
Under 25	Count	17	0	0	0	0	0	0	17
	Service	928,109	0	0	0	0	0	0	928,109
25-29	Count	54	1	0	0	0	0	0	55
	Service	3,322,070	83,527	0	0	0	0	0	3,405,597
30-34	Count	64	13	3	0	0	0	0	80
	Service	4,258,720	961,391	239,801	0	0	0	0	5,459,912
35-39	Count	45	11	2	0	0	0	0	58
	Service	3,293,328	839,812	206,600	0	0	0	0	4,339,740
40-44	Count	51	10	1	4	0	0	0	66
	Service	3,963,852	912,093	101,800	609,000	0	0	0	5,586,745
45-49	Count	36	7	2	2	1	4	0	52
	Service	3,096,257	921,721	241,283	368,000	114,000	446,265	0	5,187,526
50-54	Count	20	6	3	2	2	5	0	38
	Service	2,128,380	570,919	308,005	252,367	235,700	1,039,544	0	4,534,915
55-59	Count	20	3	2	2	0	0	2	29
	Service	1,875,040	372,537	285,833	261,500	0	0	213,800	3,008,710
60-64	Count	5	8	4	0	0	0	4	21
	Service	611,342	864,145	460,487	0	0	0	463,964	2,399,938
65 & Over	Count	1	0	1	0	0	0	0	2
	Service	104,000	0	42,550	0	0	0	0	146,550
Unknown Age	Count	0	0	0	0	0	0	0	0
	Service	0	0	0	0	0	0	0	0
Total	Count	313	59	18	10	3	9	6	418
	Service	23,581,098	5,526,145	1,886,359	1,490,867	349,700	1,485,809	677,764	34,997,742

Exhibit 4 (continued)

PARTICIPANT DATA
AS OF JANUARY 1, 2010

	Active	Retired	Term. Vested	TOTAL
Number of Participants at 1/1/09	344	5	40	389
New Entrants before 1/1/10	+87	0	0	+87
Rehired	0	0	0	0
Terminated Vesteds	- 7	0	+ 7	0
Terminated nonvested	- 7	0	0	- 7
Cashed Out	0	0	0	0
Retired	0	0	0	0
Disabled	0	0	0	0
Other	0	0	- 2	- 2
	===	===	===	===
Number of Participants at 12/31/09	417	5	45	467
New on 1/1/10	+ 1	0	0	+ 1
	===	===	===	===
Number of Participants at 1/1/10*	418	5	45	468

*Note: Does not include 0 employees who failed to meet the age and service requirements for participation.

EXHIBIT 5

PRINCIPLE PROVISIONS OF THE PLAN

EFFECTIVE DATE:	January 1, 1996, adopted May 15, 1996. Restatement effective January 1, 1997, adopted December 19, 2001.
PARTICIPATION:	Employees at January 1, 1996, who were in the Entergy Corporation Retirement Plan for Non-Bargaining Employees are eligible on January 1, 1996. Any other employee is eligible to participate on the first day of the month after date of hire, or attainment of age 21, whichever is later.
PLAN YEAR:	January 1 to December 31.
COMPENSATION:	Base pay during the calendar year.
FINAL AVERAGE MONTHLY EARNINGS:	Average of the Participant's Compensation over the sixty consecutive completed calendar months, out of the last 120, that produces the highest average.
SERVICE:	A period of employment with Southwest Power Pool, Inc. For those Participants who were previously employed by a member company of Southwest Power Pool immediately prior to their being hired by Southwest Power Pool, such previous employment is also Service. (a) Benefit Service is all Service after age 21. (b) Vesting Service is all Service after age 18.
ACCRUED BENEFIT:	Benefit based on Final Average Monthly Earnings and Benefit Service to date.

EXHIBIT 5 (Continued)

NORMAL RETIREMENT:

Eligibility: The first of the month on or after age 65.

Benefit: 1.5% of Final Average Monthly Earnings, times Benefit Service not in excess of 40 years. This benefit is offset by the amount due at age 65 from any Southwest Power Pool member company defined benefit plan for which Service is granted under this plan. However, the net benefit cannot be less than the benefit based on Southwest Power Pool service only.

Form: Life annuity.

EARLY RETIREMENT:

Eligibility: Age 55 and 10 years of Service.

Benefit: Accrued Benefit (unreduced for any prior plan benefits), reduced by a percentage for each year that Early Retirement Date preceeds Normal Retirement Date, and then reduced for any member company defined benefit plan benefits payable at the Early Retirement Date. The percentage reduction is:

a) 2% for those who were age 45 with 5 years of service by December 31, 2006;
b) 6% for all others, except that the percentage is 2% for that part of the benefit accrued to December 31, 2006.

DEATH:

Eligibility: Death prior to the commencement of benefits.

Benefit: The Pre-Retirement Joint and 50% Survivors Annuity.

EXHIBIT 5 (Continued)

VESTING:

Eligibility: The vesting schedule is as follows:

Service	Vested Percentage
Under 3	0%
3 or more	100%

Benefit: Accrued Benefit times the Vested Percentage, payable at Normal Retirement Benefit. Reduced amounts (7% per year for first five years, and 6% for next five years) are payable if eligible for Early Retirement.

APPENDIX A

CALCULATION OF CONTRIBUTIONS

	2009	2010
A. Maximum tax deductible contribution (IRC 404(o)(2)		
1. Funding Target	$ 10,891,768	$12,744,704
2. Target Normal Cost	1,486,195	2,028,252
3. Cushion Amount		
a) 50% of funding target	5,445,884	6,372,352
b) Amount Funding Target increases due to pay growth	6,299,042	3,943,610
4. Actuarial value of plan assets	11,023,001	17,822,299
5. Funding Target IF plan were "At Risk"	14,066,197	16,369,542
6. (1)+(2)+(3)-(4), but not less than (5)+(2)-(4)	$ 13,099,888	$ 7,266,619
7. Maximum = (6) + interest adjustment	$ 13,936,971	$ 7,266,619
B. Suggested contribution		
1. Normal Cost for current group	$ 2,025,358	$ 2,556,156
2. Partial years cost for 84/42 expected new people	245,000	135,000
3. Amortization of Unfunded Actuarial Accrued Liability	821,910	465,661
4. Interest	28,767	16,298
5. Suggested = (1)+(2)+(3)+(4)	$ 3,121,035	$ 3,173,115
C. Minimum required contribution (IRC 430)		
1. Target Normal Cost	$ 1,486,195	$ 2,028,252
2. Shortfall amortization charges (App E)	190,820	0
3. Waiver amortization charges (App E)	0	0
4. Subtotal (1)+(2)+(3)	$ 1,677,015	$ 2,028,252
5. Excess of actuarial value of assets (less carryover) over funding target	0	1,675,246
6. (4), or if (5) greater than 0, then (1)-(5), but not less than $0	$ 1,677,015	$ 353,006
7. Minimum = (6) less carryover + interest adjustment	$ 0	$ 0

APPENDIX B

COSTS AND LIABILITIES

		1/1 2009	1/1 2010
1.	Present Value of Future Benefits		
	A. Active Lives	$38,170,995	$48,037,777
	B. Inactive Lives	2,598,220	2,816,399
	C. Total Present Value	$40,769,215	$50,854,176
2.	Actuarial Accrued Liability	$17,199,849	$21,321,852
3.	Assets	11,023,001	17,822,299
4.	Unfunded Accrued Liability (2 - 3)	$ 6,176,848	$ 3,499,553
5.	Entry Age Normal Cost	$ 2,025,358	$ 2,556,156
6.	Total Covered Salary	27,762,784	34,997,742
7.	Normal Cost Rate (5/6)	.072952	.073038

Note: The "liabilities" shown on this page are not liabilities in the usual sense. These numbers are simply mathematical values derived in determining the maximum and minimum funding levels for the plan.

APPENDIX C

DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

		2009
(1)	Unfunded Actuarial Accrued Liability at beginning of year	$ 6,176,848
(2)	Normal Cost for year	2,025,358
(3)	Contributions for year	2,999,997
(4)	Interest on (1), (2), and (3)	398,267
(5)	Other adjustments	0
(6)	Expected Unfunded Actuarial Accrued Liability at end of year: (1)+(2)-(3)+(4)+(5)	$ 5,600,476
(7)	Gain/loss during year	- 2,100,923
(8)	Effect of changes in assumptions	0
(9)	Unfunded Actuarial Accrued Liability at end of year	$ 3,499,553
(10)	Amortization period	10
(11)	Amortization of Unfunded Actuarial Accrued Liability	$ 465,661

Note: The "liabilities" shown on this page are not liabilities in the usual sense. These numbers are simply mathematical values derived in determining the maximum and minimum funding levels for the plan.

APPENDIX D

IRC 430 CALCULATIONS

	2009	2010
A. Segment rates	5.97%/6.34%/ 6.42%	4.60%/6.65%/ 6.76%
Equivalent rate	6.39%	6.69%
B. Asset Information		
1. Market Value of assets on valuation date	$ 11,023,001	$ 17,822,299
2. Actuarial Value of assets on valuation date	11,023,001	17,822,299
3. Carryover balance on valuation date	1,087,919	0
4. Pre-funding balance on valuation date	821,592	3,402,349
5. Security pledges & annuity purchases on non HCE's within last two years	0	0
C. Funding Target (IRC 430(d)(1))		
1. Funding Target	$ 10,891,768	$ 12,744,704
2. Transition percentage (IRC 430(e)(5)(B)	94%	96%
3. Transition Funding Target (1 x 2)	10,238,262	12,234,916
D. Target Normal Cost	$ 1,486,195	$ 2,028,252
E. "At Risk" calculations (IRC 430(i))		
1. Present value of accrued benefits, under alternate assumptions	$ 14,066,197	$ 16,369,542
2. Loads		
a) $700 times number of participants	272,300	327,600
b) 4% of 1	562,648	654,781
3. Was plan "at risk" in 2 of last 4 years	NO	NO
4. Funding target (1, +2 if 3=yes, and not less than C)	14,066,197	16,369,542
5. Target normal cost, under alternate assumptions	1,787,972	2,487,963
6. 4% of load	71,519	99,519
7. Target normal cost (5, +6 if 3=yes, and not less than D)	1,787,972	2,487,963

APPENDIX D (Continued)

	2009	2010
F. Various percentages		
1. Funding Target Attainment Percentage for Year		
a. B(2) divided by C(1)	101.20%	139.84%
b. B(2)-B(3)-B(4), divided by C(1)	83.67%	113.14%
c. If a is greater than C(2) then a, else b.	101.20%	139.84%
2. Adjusted Funding Target Attainment Percentage for Year B(2)+B(5), divided by C(1)+B(5)	101.20%	139.84%
3. At Risk Funding Target Attainment Percentage for Year B(2)-B(3)-B(4), divided by E(1)	64.79%	88.09%
G. "At Risk" test for next year		
1. Minimum required Funding Target Attainment Percentage	80%	80%
2. Minimum required At Risk Funding Target Attainment Percentage	70%	70%
3. Does Plan have more than 500 participants?	NO	NO
4. Is plan "At Risk" for the next year?	NO	NO

APPENDIX E

AMORTIZATION OF SHORTFALLS

Item	Initial Amount	Date Added To Costs	1/1/10 Outstanding Balance	Amort. Period	Amortization Amount
1) 2010 shortfall	$ 0	1/1/10	$ 0	7	$ 0

Shortfall amortization base for this year

1. Funding shortfall	
a) Transition Funding Target from Appendix D	$ 12,234,916
b) Actuarial value of assets, less carryover and prefunding balances	14,419,950
c) Funding shortfall = (a)-(b), not less than $0	$(2,185,034)
2. Present value of remaining shortfall amortization installments	1,012,092
3. Shortfall amortization base = (1)-(2), or $0 if (1)(b) is greater than Funding Target from Appendix D	0

APPENDIX F

CONTRIBUTIONS AND FUNDING BALANCES

Contributions for 2009:	CARRYOVER BALANCE	PRE-FUNDING BALANCE	TOTAL
1) Minimum required contribution for 2009	$	$	$ 1,677,015
2) Balances used to offset minimum	1,087,919	589,096	1,677,015
3) Additional cash requirement (1)-(2)			$ 0
4) Contributions discounted to 1/1/09			2,910,715
5) Excess contributions (4) - (3)			$ 2,910,715

Carryover and Prefunding Balances:	CARRYOVER BALANCE	PRE-FUNDING BALANCE	TOTAL
1) Balance at 1/1/09	$ 1,087,919	$ 821,592	$ 1,909,511
2) Portion used to offset 2009 funding requirement	1,087,919	589,096	1,677,015
3) Amount remaining	$ 0	$ 232,496	$ 232,496
4) Interest at 31.46%	0	73,143	73,143
5) Subtotal	$ 0	$ 305,639	$ 305,639
6) Prior year's excess contributions		2,910,715	2,910,715
7) Interest on (6) at 6.39%		185,995	185,995
8) Subtotal (6)+(7)		3,096,710	3,096,710
9) Portion of (8) to be added to prefunding balance		3,096,710	3,096,710
10) Voluntary reduction	0	0	0
11) Balance at 1/1/2010 (5)+(9)+(10)	$ 0	$ 3,402,349	$ 3,402,349

APPENDIX G

TOP-HEAVY TEST FOR 2010 PLAN YEAR

Determination Date: 12/31/10
Valuation Date : 1/1/10

Present Value of Accrued Benefits at 7% Interest-Actives

1)	Key Employees (20)	$2,240,176
2)	Non-key Employees	6,890,956
		----------
3)	Total	$9,131,132

Present Value of Accrued Benefits at 7% Interest-Inactives

1)	Key Employees (0)	$ 0
2)	Non-key Employees	168,413
		----------
3)	Total	$ 168,413

Benefit Payments Since 1/1/2009

1)	Key Employees (0)	$ 0
2)	Non-key Employees	0
		----------
3)	Total	$ 0

Total

1)	Key Employees	$2,240,176
2)	Non-key Employees	7,059,369
		----------
3)	Total	$9,299,545

Top-Heavy Ratio = Key / Total	24.1%
	======

Note: These results should be combined with top-heavy test for 401(k) plan, to determine whether the combined plans are top-heavy. If neither plan is top-heavy, the combined plans will not be top-heavy.

APPENDIX H
ACTUARIAL COST METHODS AND ASSUMPTIONS

COST METHOD: The "frozen initial liability method" has been used in your plan.

PRE-RETIREMENT MORTALITY: Deaths have been projected on the basis of the 1994 Uninsured Pensioners Mortality Table ("1994 UP"). Mortality rates at a few sample ages are:

AGE	MORTALITY RATE PER 1,000
25	.711
30	.862
35	.915
40	1.153
45	1.697
50	2.773
55	4.758
60	8.576

For the Minimum and Maximum contributions, we used the IRS static table for 2010 for small groups.

POST-RETIREMENT MORTALITY: The 1994 Uninsured Pensioners Mortality Table was used. The life expectancy according to this table is as follows:

AGE	MALES	FEMALES
55	25.49 years	29.53 years
65	17.26 years	20.69 years

For the Minimum and Maximum contributions, we used the IRS static table for 2010 for small groups.

ASSUMED INVESTMENT RETURN: 7.00% annually before retirement, and 7.00% after retirement. For purposes of the accounting calculation in Exhibit 3, a discount rate of 6.75% and a long-range return on assets of 7.00% were used.

For purposes of calculating the Minimum and Maximum contribution, the following segment rates were used:

1st segment (1 - 5 years)	4.60%
2nd segment (5 - 20 years)	6.65%
3rd segment (20+ years)	6.76%

The equivalent rate is 6.69%.

SALARY GROWTH: Salaries were assumed to increase 4.00% per year, (4.50% for the suggested contribution).

DISABILITIES: None assumed.

VOLUNTARY TERMINATIONS: For the suggested contribution, rates under the T-1 table in the Actuary's Handbook, minus mortality rates per the Ga51 table, but not less than 1%. Assumed termination rates at a few sample ages are:

AGE	TERMINATION RATE PER 1,000
25	49.1
30	36.6
35	22.9
40	10.4
45	10.0
50	10.0
55	10.0
60	10.0

EXPECTED RETIREMENT PATTERN: For the suggested contribution, we have assumed the following rates of retirement:

AGE	RETIREMENT RATE
55 - 61	.10
62	.25
63	.15
64	.15
65	1.00

ADMINISTRATIVE EXPENSES: These were assumed to be paid by the Sponsor.

ASSET VALUATION: Market value.

Osborn, Carreiro & Associates, Inc.

ACTUARIES · CONSULTANTS · ANALYSTS

One Union National Plaza, Suite 1690
124 West Capitol Avenue
Little Rock, Arkansas 72201
(501) 376-8043
FAX (501) 376-7847

February 25, 2010

Mr. Tom Dunn
Southwest Power Pool
415 North McKinley, #140 Plaza West
Little Rock, AR 72205-3020

RE: Retiree Medical Coverage - SFAS No. 106

Dear Tom:

Attached is my report on the 2010 net periodic postretirement benefit cost per Statement of Financial Accounting Standards Nos. 106, for the retiree medical coverage.

The attached report assumes a 6.75% discount rate. At the April 4, 2008 meeting of the Finance Committee, it was decided that the discount rate for these calculations should be based on the IRS 24-month average "third segment" rate for the prior September and October. That rate was 6.82% for September 2009 and 6.80% for October 2009. Accordingly, a discount rate of 6.75% was used for the 12/31/2009 disclosure items. The 2010 net periodic postretirement benefit cost using a 6.75% discount rate is $511,185.

Please let me know if you have any questions or comments.

Sincerely,

Steve Osborn

Steve Osborn, F.S.A., M.A.A.A.
Actuary

Attachment

Osborn, Carreiro & Associates, Inc.

ACTUARIES · CONSULTANTS · ANALYSTS

One Union National Plaza, Suite 1690
124 West Capitol Avenue
Little Rock, Arkansas 72201
(501) 376-8043
FAX (501) 376-7847

February 25, 2010

Mr. Tom Dunn
Southwest Power Pool
415 North McKinley, #140 Plaza West
Little Rock, AR 72205-3020

RE: Retiree Medical Coverage - SFAS No. 106

Dear Tom:

I have calculated the 2010 net periodic postretirement benefit cost per Statement of Financial Accounting Standards Nos. 106 and 158.

The results are shown on the attached sheets. The 2010 net periodic postretirement benefit cost will be $511,185. All employees hired before June 1, 2006 are entitled to postretirement medical coverage upon reaching normal retirement age and 10 years of vested service with Southwest Power Pool, while those employees hired before January 1, 1996 are eligible for postretirement medical coverage upon reaching age 55 and accruing 10 years of vested service with Southwest Power Pool.

The calculations incorporate various actuarial assumptions. In particular, I assumed a 6.75% discount rate and a 7.0% investment return on plan assets. The health care cost trend rate was assumed to increase 10% next year, 9% the following year, and so on, decreasing to an ultimate 5% assumption in five years.

The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the health care cost trend rate by one percentage point in each year would increase the accumulated postretirement benefit obligation by as of January 1, 2010 by $1,070,822, and the 2010 net periodic postretirement benefit cost by $226,978.

Please let me know if you have any questions or comments.

Sincerely,

Steve Osborn

Steve Osborn, F.S.A., M.A.A.A.
Actuary

Attachments

<u>EXHIBIT 1</u>

<u>SFAS NO. 106 COST FOR 2010</u>

A. Reconciliation of Funded Status	1/1/10	Projected 12/31/10
1. Actuarial present value of accumulated postretirement benefit obligations		
a. Retirees	$(349,571)	$(417,490)
b. Fully eligible active employees	(234,135)	(279,626)
c. Other active employees	(4,055,897)	(4,843,930)
d. Subtotal	$(4,639,603)	$(5,541,046)
2. Plan assets at fair value	5,228,122	6,129,776
3. Funded status: (1)+(2)	$ 588,519	$ 588,730
4. Unrecognized net (gain) or loss	(607,048)	(602,836)
5. Unrecognized prior service cost	0	0
6. Unrecognized net obligation or (net asset)	48,663	44,240
7. Subtotal (4) + (5) + (6)	(558,385)	(558,596)
8. Total (3) + (7)	$ 30,134	$ 30,134

Projected at 12/31/10 assumes a contribution equal to the NPPBC.

SOUTHWEST POWER POOL
RETIREMENT PLAN

SFAS No. 158 Items

B. Reconcilliation	Post-Retirement Medical Asset on Balance Sheet	Accumulated Other Comp. Income (loss) Post-Retirement Medical Part	Total
1. Balance 12/31/08	$(734,401)	$ 765,162	$ 30,761
2. Change in assumptions	239,588	(239,588)	0
3. Net periodic pension cost for 2009	(615,394)	(18,230)	(633,624)
4. Cash contribution in 2009	632,997	0	632,997
5. Deferred investment gain for 2009	709,000	(709,000)	0
6. Other gain	356,729	(356,729)	0
7. Balance 12/31/09	$ 588,519	$ (558,385)	$ 30,134

Note: The above does not include any tax effects.

SFAS No. 158 Implementation

C. Determination of SFAS 106 Cost	2009	2010
1. Service Cost	$ 573,036	$ 551,072
2. Interest Cost (on A(4) and B(1))	320,610	350,371
3. Expected return on assets	(278,252)	(390,469)
4. Amortization of		
a. Unrecognized net (gain) or loss	13,807	(4,212)
b. Unrecognized prior service cost	0	0
c. Unrecognized net obligation or (net asset)	4,423	4,423
5. Net Periodic Postretirement Benefit Cost	$ 633,624	$ 511,185

EXHIBIT 2

PARTICIPANT DATA

A. The following participant data was used:

	January 1 2010
Number of Active Employees	158
Number of Retirees covered	2

B. Projected premium payment

1st Year	22,900
2nd Year	37,400
3rd Year	69,500
4th Year	107,800
5th Year	144,700
6th through 10th Year	1,363,400

EXHIBIT 3

ACTUARIAL ASSUMPTIONS

DISCOUNT RATE: A discount rate of 6.75% was used. The expected return on assets was assumed to be 7.00%.

HEALTH CARE COST TREND RATE: "Medical inflation" was assumed to be 10.0% for the next year, 9.0% in the second year, 8.0% in the third year, 7.0% in the fourth year, 6.0% in the fifth year, and 5.0%/year thereafter.

BASE CLAIM COSTS: The following monthly base claim costs (i.e., the amount paid by Southwest Power Pool) were assumed for 2010:

Single, with Medicare	$ 382.07
Family, with Medicare	852.07
Single, no Medicare	382.07
Family, no Medicare	1,190.31

SELECTION OF COVERAGE: We assumed that 100% of eligible retirees would select the coverage.

DATA USED: We received a census listing from the company. The data is summarized in Exhibit 2.

PRE-RETIREMENT MORTALITY: Deaths have been projected on the basis of the 1994 Uninsured Pensioners Mortality Table ("1994 UP"). Mortality rates at a few sample ages are:

AGE	MORTALITY RATE PER 1,000
25	.711
30	.862
35	.915
40	1.153
45	1.697
50	2.773
55	4.758
60	8.576

Exhibit 3 (continued)

POST-RETIREMENT MORTALITY

The 1994 Uninsured Pensioners Mortality Table was used. The life expectancy according to this table is as follows:

AGE	MALES	FEMALES
55	25.49 years	29.53 years
65	17.26 years	20.69 years

DISABILITIES:

None assumed.

VOLUNTARY TERMINATIONS:

Rates under the T-1 table in *The Actuary's Handbook*, minus mortality rates per the Ga51 table, but not less than 1%. Assumed termination rates at a few sample ages are:

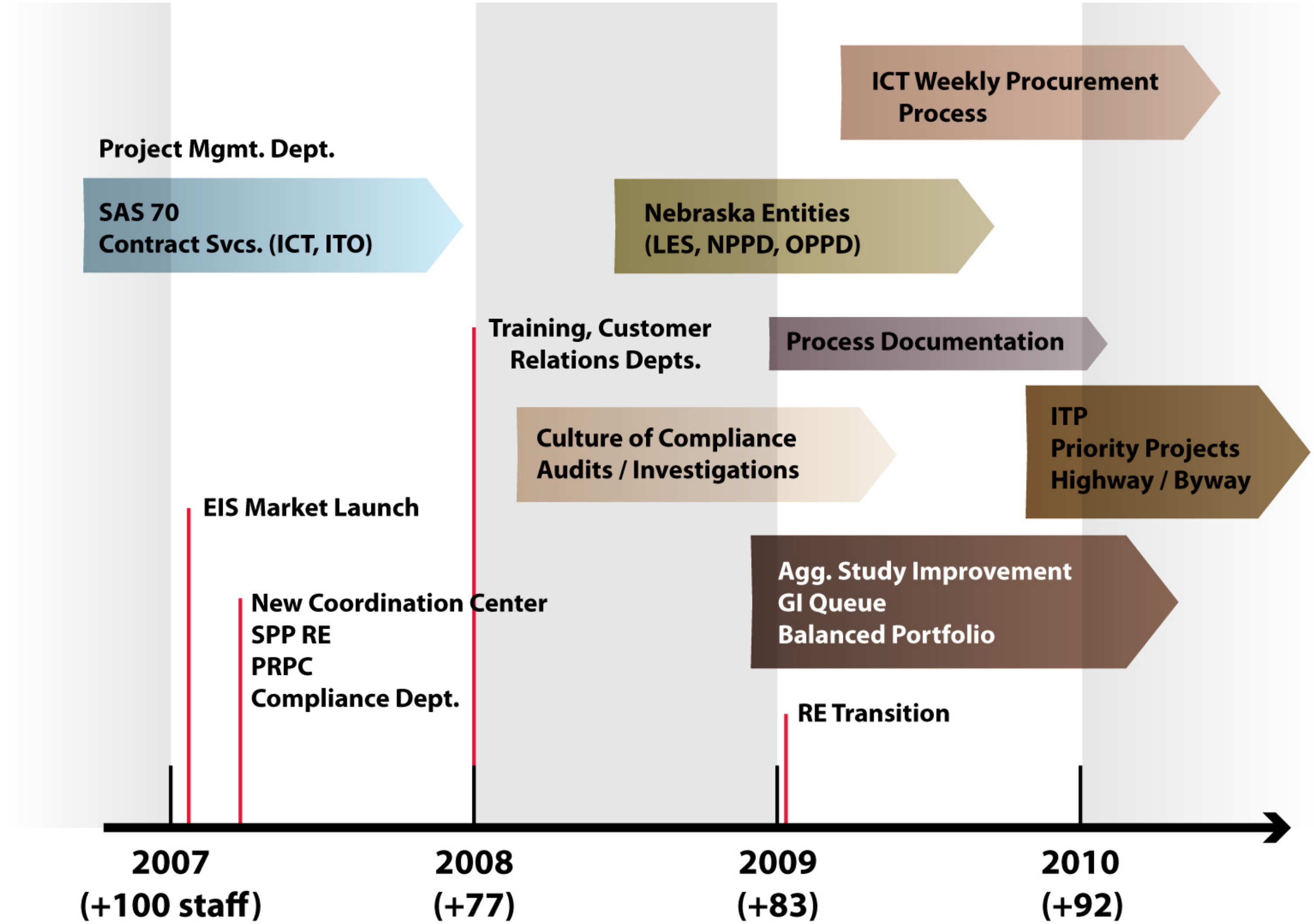
AGE	TERMINATION RATE PER 1,000
25	49.1
30	36.6
35	22.9
40	10.4
45	10.0
50	10.0
55	10.0
60	10.0

EXPECTED RETIREMENT PATTERN:

We have assumed the following rates of retirement:

AGE	RETIREMENT RATE
55 - 61	.10
62	.25
63	.15
64	.15
65	1.00

Process Integrity Evolution



Hired officer to focus on Process & Project Management; organizational group effectiveness; developing, documenting, implementing and auditing control procedures for primary member services.

Where are we now?

- In 2010 you told us that you were concerned about the incremental growth
- Needed to focus on Process Improvement
- Needed to tell the story on the value we provide our members

As Officers we carried that message back to our managers and they have responded.

- Immediate actions we have undertaken
  - Instituted an officer review and approval process for vacancies/refilling
  - Our managers have reviewed their hiring needs and deferred or restructured departments to eliminate 2010 hiring expectations
    - Training 100k
  - Focused on process improvements
    - IT has looked at using tools more effectively such as conference calling and net conferencing saving $$
    - IT has in-housed circuit monitoring saving $12k/mo. - $1.4M/yr
    - IT beginning in 4Q 2008 has saved $3M by virtualizing servers - runs the gamut: reduced purchases, housing, and data center expansion
    - IT began a new process for bundling PRR & SPR (system problem reports) with scheduled spring & fall implementation – streamlines requirements gathering & project estimations

- Engineering is moving to a system engineering approach – engaged a UALR professor to design a Process Improvement template to utilize for future use
  - Measures efficiencies – save future FTE

- Operations has evaluated consolidation of ITE, BA, IA functions - this will eliminate a position save future FTE

- $767,668 job creation rebate

- Much as we did with quantifying benefits of EIS Market beginning to look internally to place a value on services we provide – e.g.
  - Training has provided ≈ $1M/yr
  - Savings to members
  - Project Management has net avoided cost ≈ $22 over 3 years
  - Interregional affairs has provided ≈ $4.6 M/yr of estimated value

- Created a new position where responsibility will be to work with all business to identify, implement and track sustainable Business Process Improvement.

- Regular reporting to FC and Board

Southwest Power Pool

Southwest Power Pool, Inc.

FINANCE COMMITTEE

Recommendation to the Board of Directors

April 27, 2010

2010 Financing

Organizational Roster

The following persons are members of the Finance Committee:

Name	Position/Organization
Harry Skilton	Director – Chairman
Larry Altenbaumer	Director
David Sartin	AEP
Trudy Harper	Tenaska Marketing
Gary Voigt	Arkansas Electric Cooperatives
Kelly Harrison	Westar Energy

Background

The Southwest Power Pool, Inc. ("SPP") capital structure currently consists of the following term notes:

		Balances (000s)		($ in 000s)
Due Date	**Rate**	**Original**	**Current**	**Payments**
2011 Sr. Notes	4.78%	$25,000	$10,000	$5,000 annually
2014 Sr. Notes	5.61%	$30,000	$24,000	$1,000 qty
2016 Sr. Notes	5.45%	$30,000	$30,000	Start in 2011
2027 Sr. Notes	6.36%	$5,140	$5,140	$51 annually
Totals		**$90,140**	**$69,140**	

All notes are unsecured except for the 2027 notes which are secured by a mortgage on SPP's primary operations facility. SPP also has available a $20 million unsecured revolving line of credit maturing July 29, 2011. The revolving line currently has $0 advanced. Pricing of draws is based on a grid. Currently any draws would be priced at LIBOR + 1.50% plus an unused commitment fee of 0.30% annually.

The SPP Board of Directors, at its October 27, 2009 meeting, approved the issuance of up to $150 million in debt securities to fund SPP's capital expenditure program. Further, SPP received authorization from the FERC and the AR PSC on January 15, 2010 and February 1, 2010, respectively, to issue up to $150 million in debt securities. Regulatory authorization is valid for the next 24 months.

Analysis

SPP's 2010 budget approved by the SPP Board of Directors at their October 27, 2009 meeting included a capital expenditure program totaling $180.6 million through 2012. Annual capital expenditures spending for each of the next three years are forecast as follows:

SPP Southwest Power Pool

($ in 000s)	2010	2011	2012	Total
Future Markets[1]				
Costs	$25,879	$22,516	$7,454	$55,849
Capitalized Interest	$859	$2,569	$3,429	$6,857
New Facilities				
Costs	$16,908	$61,167	$6,515	$84,590
Capitalized Interest	$321	$2,816		$3,137
Other Projects	12,376	9,320	4,690	26,386
Total	**$56,343**	**$98,388**	**$22,088**	**$176,819**

SPP proposes to issue two series of term notes during 2010:

- Series A – Senior unsecured notes totaling approximately $70,000, fully amortizing, maturing in 2032, first two years interest only, scheduled fundings occurring through 1Q11.
- Series B – Senior unsecured note of approximately $60,000, fully amortizing, maturing in 2024, first three years interest only, single funding occurring in 1Q11.

This structure will:

1. Lock in favorable Treasury index rates and credit spreads between 100bps to 130bps
2. Minimize negative arbitrage, if spending follows forecast
3. Increase marketability of securities due to size of issue
4. Ensures adequate funding through mid-2011.

As noted above, SPP's revolving credit facility matures on July 29, 2011. SPP believes it is advantageous to proceed with a renewal at this time. Pricing in today's environment is similar to the terms of the existing facility and renewal ensures SPP is able to retain the structure that currently exists.

Recommendation

- Approve financing structure as indicated above with the following flexibility provided to SPP management:
  - Funding amounts of delayed draws should be set at the issuance date based on the most recent cash forecast.
  - Permit delays in placements if forecasts indicate a reduction or postponement in spending.
  - Amount of each series should be set at the time of issuance based on prevailing market conditions using management's discretion, to be limited by FERC and AR PSC authorization.

- Authorize a filing with FERC and AR PSC to amend their authorization to allow up to $150 million to be unsecured.

- Recommend to SPP's Board of Directors issuance of three year revolving credit facility in the amount of $20 million to replace existing revolving credit facility prior to its stated maturity.

Approved: Finance Committee April 1, 2010

Action Requested: Approve Recommendation

[1] Includes Day Ahead Energy, Ancillary Services, Congestion Hedging, Centralized Balancing, and High Availability

Southwest Power Pool

Funding Strategy Recommendation
Presented to the Finance Committee
April 1, 2010

Annual Capital Expenditures Through 2012

($ in 000s)	2010	2011	2012	Total
Future Markets [1]				
Costs	$ 25,879	$ 22,516	$ 7,454	$ 55,849
Capitalized Interest	$ 859	$ 2,569	$ 3,429	$ 6,857
New Facilities				
Costs	$ 16,908	$ 61,167	$ 6,515	$ 84,590
Capitalized Interest	$ 321	$ 2,816	$ -	$ 3,137
Other Projects	$ 12,376	$ 9,320	$ 4,690	$ 26,386
Totals	**$ 56,343**	**$ 98,388**	**$ 22,088**	**$ 176,819**

[1] Includes Day Ahead Energy, Ancillary Services, Congestion Hedging, Centralized Balancing, and High Availability

SOUTHWEST POWER POOL

Funding Program Overview

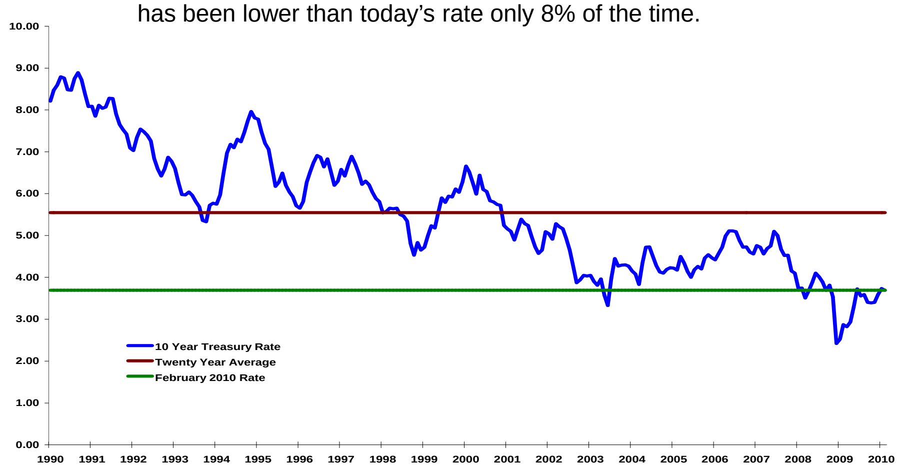
- **Series A** – $70 million for investment in construction of data/operations center and office building on a single site with the following general terms:
  - fixed rate of interest
  - 32 year final maturity
  - interest only is payable over the first two years, P&I afterward
  - 25 to 30 year amortization for P&I payments
  - Senior unsecured structure
- **Series B** – $60 million to acquire computing assets, develop software and fund other expenses for SPP's future markets with the following general terms:
  - fixed rate of interest
  - 13 year final maturity
  - interest only is payable over the first three years, P&I afterward
  - 7 to 10 year amortization for P&I payments
  - Senior unsecured structure

3

SOUTHWEST POWER POOL

Historical Interest Rate Information

In the past 20 years, the yield on the 10 Year Treasury has been lower than today's rate only 8% of the time.



4

SOUTHWEST POWER POOL

Economic and Interest Rate Forecast

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
Fed Funds	0-0.25%	0-0.25%	0-0.25%	0-0.25%	.25-75%	.50-75%	.50-75%	.75-1.00%
3m T-Bill	0.20%	0.20%	0.20%	0.50%	0.75%	1.05%	1.30%	1.45%
3mLIBOR	0.35%	0.35%	0.35%	0.65%	0.90%	1.20%	1.45%	1.60%
2y UST	1.00%	1.20%	1.30%	1.50%	1.65%	1.75%	1.90%	2.00%
5y UST	2.60%	2.90%	3.00%	3.10%	3.20%	3.30%	3.35%	3.40%
10y UST	3.60%	4.00%	4.10%	4.25%	4.30%	4.40%	4.45%	4.45%
30y UST	4.45%	4.75%	4.90%	4.95%	4.95%	5.00%	5.00%	5.00%
Real GDP (%)	2.30%	3.40%	3.70%	3.20%				
CPI	3.20%	0.50%	2.90%	2.30%				
Unemployment	10.00%	9.50%	9.50%	9.80%				

- Many economists forecast GDP growth of 3.0 to 3.5% over the next year.
- Fed Funds look to remain unchanged until 2011, with minimal inflation, high unemployment and a large output gap.
- Longer tenor rates will be more pressured by increases in Treasury supply and greater risk appetite.

5

SOUTHWEST POWER POOL

Option 1 – Fund All Forecasted Cash Needs in the Near Term

- **Logistics**
  - In June 2010, simultaneously issue both Series A and Series B in separate but coordinated offerings.
  - Based on 3/23/2010 rate indications, the Series A tranche would be priced at 5.80% and the Series B at 4.78%.

Pros

- Lock in funding costs that are near historical lows.
- Simple, straightforward program that ensures cash availability.

Cons

- Negative arbitrage on first year excess cash of > $2M.
- Budgeted spends do not occur.
- Interest rates might decline in the future.

6

Option 2 – Apportion Placements to Better Match Forecast

- **Logistics**
  - Issue $25 million of Series A in 6/10.
  - Issue $30 million of Series A in 10/10 based on the 6/10 Treasury and no premium in the credit spread.
  - Issue $15 million of Series A in 1/11 based on the 6/10 Treasury and a 15 bps increase in credit spread.
  - Issue entire Series B in 3/11 based on the 6/10 Treasury and a 30 bps increase in credit spread.

Pros
- Captures low prevailing rates.
- Minimizes but does not eliminate negative arbitrage.
- Increases options for investors.

Cons
- Budgeted spends do not occur.
- Delayed fundings occur at higher rates.
- Adds complexity to debt structure.
- Interest rates might decline in the future.

Option 3 – Fund Draws Under Existing Line of Credit

- **Logistics**
  - Use SPP's $20 million revolver to fund incremental drawings.
  - Issue Series A fundings throughout 2010 and 2011, taking advantage of forward placement options, where appropriate.
  - Issue Series B placements beginning in mid 2011 at the prevailing Treasury and credit spreads.

Pros
- Eliminates negative arbitrage.
- Reduces concerns about occurrence of budgeted spends.

Cons
- Cannibalizes virtually all committed liquidity resources.
- Higher future rates raise total cost.
- Placements limited to $20M which increases structural complexity.
- Market loses appetite for SPP debt.

Option 4 – Implement New Credit Facility for Drawings

- **Logistics**
  - Execute a floating rate draw note of approximately $60 million.
  - Issue Series A and B drawings as needed to retire draw note.
  - Instead of or in addition to placements, could lock in mini-perm at closing.

Pros

- Eliminates negative arbitrage.
- Preserves existing line of credit.
- Reduces concerns about occurrence of budgeted spends.

Cons

- Higher future rates raise total cost.
- Market loses appetite for SPP debt.
- Mini-perm offers only 5 years of rate protection.
- Added costs of line arrangement.

Option 5 – Issue Long Term Revenue Bonds

- **Logistics**
  - Issue revenue bonds for Series A and B funding requirements.

Pros

- Lock in funding costs that are near historical lows.
- Potential flexibility regarding financial covenants.

Cons

- More complicated execution and ongoing maintenance.
- Higher costs of issuance.
- Could result in negative arbitrage.
- Possible requirements for another credit rating and bond insurance.

Recommendation

- After a careful study of each alternative and its potential effects to the company's funding strategy, Option 2 appears to be the best choice and is recommended.

- There are certain conditions that should be considered that would enhance the efficiency and flexibility of this approach.
  - Funding amounts of delayed draws should be set at the issuance date based on the most recent cash forecast.
  - Permit delays in placements if forecasts indicate a reduction or postponement in spending.
  - Amount of each series should be set at the time of issuance based on prevailing market conditions using management's discretion, to be limited by FERC and AR PSC authorization.

Schedule 1a Recovery

Transmission Service Requests

Settlement Data Source:

PTP(OASIS) NITS (Trans Owner)

Calc Billing Determinants (MWh):

PTP (Reserved Capacity)

NITS (12 month CP Average)

Calc Trans Customer Charge:

Billing Determinants (MWh) *

Current Year Sched 1a Rate

All load served within the SPP footprint is subject to the Admin Fee. Monthly Assessment recovery ensures load without SPP NITS arrangement still pays Sched 1a.

Monthly Assessment of All Load Serving Entities:

Settlement Data Source:

12 month CP Avg (Trans Owner)

Calc Monthly Assessment:

Charge = (12 mo CP Average) * Current Year Sched 1a Rate

Apply Credit:

All Schedule 1a charges billed for Transmission Service Requests

Monthly Invoice – 3rd Business Day

Collection 15 days after Invoice

PTP - Point to Point

NITS - Network Service

CP - Coincident Peak

Southwest Power Pool, Inc.

FINANCE COMMITTEE

Recommendation from SPP Staff

April 1, 2010

Depreciation Policy

Organizational Roster

The following persons are members of the Finance Committee:

Harry Skilton, Director
Larry Altenbaumer, Director
Gary Voigt, Arkansas Electric
Trudy Harper, Tenaska
David Sartin, AEP
Kelly Harrison, Westar

Background

SPP staff was asked to evaluate the possibility of adjusting depreciable lives of certain asset classes, specifically its software assets and constructed buildings. SPP currently depreciates all software, included developed software, over three years, while SPP's only building is currently being depreciated over 20 years

Analysis

Given that our asset composition is similar to that of other ISO/RTO organizations, we considered the service lives utilized by those organizations in our analysis. The following information was taken directly from the most recently published annual reports for the respective entities.

	MISO	N.E. ISO	PJM	NYISO	CAISO	ERCOT	SPP
Buildings & Improvements	20	25	25	20		30	20
Computer Hardware	3 or 6	3-5	3-5	3-5		3	
Computer Software	5 or 7	3-5	3-10	3-5	3-5	5	3
Furniture & Fixtures	7	7	10	3-5	3-5	7	5
Machinery & Equipment	7	7		3-5	3-5	7-10	3

Accounting literature suggests that an entity should depreciate the cost of an asset in a systematic and rational allocation method over the period during which the asset is expected to provide benefits, taking into consideration any expected salvage value.

In practice, the depreciable lives of buildings can range up to 60+ years depending on the nature and type of building constructed. 20 years is definitely at the low end of the range of the scale for the depreciable lives of buildings. There is no reason to believe that the Maumelle facility or the new campus facilities would not hold value beyond a 20 year life. Increasing the established depreciable life would more accurately reflect the useful life of our existing and future facility construction.

With respect to analyzing the propriety of the established useful life of SPP's software, which includes software developed for internal use, it's especially beneficial to compare to other similar organizations, given the common uniqueness of the software utilized by RTO/ISO organizations. With the exception of ERCOT, all other RTO/ISOs utilize multi-years for the useful life of their software with a low end of 3 years and a high end of 10 years. While a 3 year term seems reasonable for generic, commonly used software programs that are normally outdated after a couple years, highly customized software (either purchased or developed) normally provides benefit and usefulness well beyond 3 years. For example, the EIS market software was placed into service in 2007. It is currently still in operation and will continue to be until the new market is launched which is currently projected for 2014. Therefore, one could easily conclude that the EIS market asset has a productive life of at least 7 years. In our opinion, changing the established depreciable life of our software assets to some multi year range would give us the flexibility to more accurately reflect the true useful lives of our software assets

Accounting Treatment

From an accounting perspective, any change in the depreciable life of an asset class would be considered a Change in Accounting Estimate. ASC 250 requires that changes in estimates be recognized currently and prospectively. No retrospective application is allowed and assets already completely depreciated would not be impacted. To illustrate this point, the following analysis is presented for the Maumelle facility which was placed in operation in late April 2007.

	20 years		30 years	
Original Cost	5,965,433		5,965,433	
Depreciation - LTD (12/31/09)	787,207		787,207	
Carrying Value at 12/31/09	5,178,226		5,178,226	
Remaining Life as of 12/31/09	208	months	328	months
Monthly Depreciation	24,895		15,787	
Annual Depreciation Expense	298,744		189,447	
	(2010-2027)		(2010-2037)	

Recommendation

In order to more closely match the depreciation term to the useful life of its assets, SPP recommends the life of buildings be adjusted from 20 to 30 years and the life of its software assets be adjusted from a fixed 3 year term for all assets to a 3-7 year term based on nature and use of the particular assets. We would expect more generic software products would be amortized over a 3 year term and more unique, customized software assets would be assigned a life greater than 3, up to a maximum of 7 years. We recommend an effective date of January 1, 2010.

Adjusting the lives as recommended would result in the adjustment of the depreciation run rate of the building beginning in 2010. With the exception of the Settlements market system that was placed into operation in late 2009, we do not anticipate this change would impact any currently amortizing software assets.

Approved: Finance Committee

Action Requested: Approve Recommendation

Southwest Power Pool

Southwest Power Pool, Inc.

CREDIT WORKING GROUP

Organizational Group Scope Statement

February 9, 2010

Purpose

The Credit Working Group's responsibility is to develop and recommend courses of action to address credit risk issues resulting from administration of the SPP regional tariff and operation of the SPP business.

Scope of Activities

Develop and recommend changes to the SPP Credit Policy to mitigate the risk of socialized default charges to customers and members of SPP, using commercially viable practices.

Develop and recommend commercial practices to mitigate, to a reasonable extent, the risk of credit defaults in the services administered by SPP.

Provide expertise to SPP in its administration and monitoring of credit exposures.

Representation

The Credit Working Group will consist of 6 individuals representing members of SPP. The chair of the Credit Working Group will be nominated by Corporate Governance Committee for consideration and appointment by the SPP Board of Directors. A vice chair will be elected by the members of the Credit Working Group. The term of the chair and vice chair will coincide with the term of the chair of the SPP Board of Directors. A meeting quorum will exist with 1/2 of the sitting members.

Duration

The Credit Working Group is a permanent working group.

Reporting

The Credit Working Group will report to the SPP Finance Committee.

DRAFT 3/18/10
DUE 3/29/10

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Credit Reforms in Organized Wholesale Electric Markets	))	Docket No. RM10-13-000

COMMENTS OF SOUTHWEST POWER POOL, INC.

Southwest Power Pool, Inc. ("SPP") submits these comments in response to the Federal Energy Regulatory Commission's ("Commission") Notice of Proposed Rulemaking regarding Credit Reforms in Organized Wholesale Electric Markets.[1] The Credit NOPR proposes revisions to the Commission's regulations to reform credit practices in organized wholesale markets operated by independent system operators ("ISO") and regional transmission organizations ("RTO"), and specifically "requests the views of the ISO's and RTO's managements" regarding: (1) shortening the settlement cycle; (2) the use of unsecured credit; (3) FTR markets; (4) the ability to offset market obligations; (5) minimum criteria for market participation; (6) material adverse changes; and, (7) grace periods to cure collateral posting.[2] SPP offers the following comments.

I. BACKGROUND

SPP is a Commission-approved RTO with 56 Members in nine states serving more than 5 million customers in a 370,000 square-mile area. SPP administers a real-

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[1] *Credit Reforms in Organized Wholesale Electric Markets*, Notice of Proposed Rulemaking, 130 FERC ¶ 61,055 (2010) ("Credit NOPR").

[2] Credit NOPR at P 12.

time, offer-based Energy Imbalance Service ("EIS") market[3] and is in the process of developing day-ahead and ancillary service markets. SPP's Credit Policy, set forth in Attachment X of the SPP Open Access Transmission Tariff ("Tariff"),[4] was revised in December 2008[5] to address some of the same credit risk concerns expressed in the Credit NOPR.

II. COMMENTS

A. Shortening the Settlement Cycle

The Commission noted in the Credit NOPR that "the size of credit risk exposure is, in large part, a function of the length of time between completion of the various parts of electricity transactions . . . and the payment for service," and proposed that each RTO and ISO "implement a settlement cycle of no more than seven calendar days with no more than an additional seven calendar days for final payment."[6] The Commission also acknowledged that "software system adjustments may be necessary" and that "similar system changes have resulted in significant delays of other market changes," and therefore requested comments "on the practicality of organized wholesale electric markets implementing daily settlement periods within one year of implementation of weekly settlement periods."[7]

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3 *See Sw. Power Pool, Inc.*, 118 FERC ¶ 61,055, *reh'g denied*, 120 FERC ¶ 61,018 (2007) (approving SPP's EIS Market).

4 Southwest Power Pool, FERC Electric Tariff, Fifth Revised Volume No. 1.

5 *Sw. Power Pool, Inc.*, 126 FERC ¶ 61,153 (2009).

6 Credit NOPR at PP 13, 15.

7 Credit NOPR at P 15 (footnote omitted).

SPP and its stakeholders are concerned by the Commission's proposed daily settlement period. Currently, SPP settles transactions in its EIS market on the seventh day following the operating day. Specifically, each Thursday, SPP aggregates and invoices the last seven days' transactions, and payment is due the following Wednesday. SPP's EIS market participants have been very receptive to this structure, and SPP has not experienced any payment defaults in the EIS market since its implementation in February 2007.

The Commission's proposal to reduce the settlement period to one day could be problematic for several reasons. First, SPP stakeholders have expressed concerns that daily settlements would require additional staff, credit facilities to fund a mismatch between increased payouts versus unchanged cash inflows, and other related expenses to process billing statements received more frequently than weekly. Likewise, SPP is concerned that compliance with a daily settlement period may require SPP to hire additional staff and perform significant upgrades to systems and software, which would result in increased expenses to its market participants. Finally, SPP and its stakeholders are concerned that a greater frequency of settlements will increase the likelihood of settlement errors and future resettlement of past invoices.

SPP stakeholders have suggested that reducing SPP's settlement period from seven days to five days may be a lower cost and less disruptive alternative to the Commission's proposed daily settlement period. However, SPP's current seven-day settlement period continues to function well.

B. Use of Unsecured Credit

Observing that RTOs and ISOs "generally allow significant amounts of unsecured credit," the Commission proposed that each RTO and ISO limit the extension of unsecured credit to no more than $50 million per market participant.[8] The Commission also sought comment on whether there should be a further aggregate cap covering an entire corporate family, whether the cap should be different for markets of different sizes, and, the practicality of eliminating unsecured credit in the event the Commission eventually replaces weekly settlement periods with a daily settlement period.[9]

SPP currently limits extension of unsecured credit to any single entity or affiliated group of entities to $25 million, which, based on the composition and characteristics of its market, is adequate both for individual market participants and for corporate families to participate in the EIS market. Rather than directing a one-size-fits-all policy for unsecured credit, the Commission should recognize that regional differences exist among markets and permit each RTO and ISO and their respective stakeholders to determine credit limits that are appropriate for their markets and market participants.

Additionally, adopting a daily settlements policy and eliminating unsecured credit would be onerous for RTOs and ISOs to implement and market participants to manage. As discussed above, SPP and its stakeholders are concerned about the impacts to their business operations resulting from a reduction in the settlement period to one day. Requiring daily settlements and eliminating unsecured credit will force RTOs and ISOs to minimize market exposure by requiring either advance payments or continual re-

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[8] Credit NOPR at PP 18, 19.

[9] Credit NOPR at PP 19, 20.

posting of collateral, both of which are cumbersome to market participants. In fact, even a one-day settlement cycle will require RTO and ISO to extend some level of credit to market participants.

Moreover, SPP's not-for-profit market participants have expressed a need for unsecured credit to conduct their operations properly, meaning that eliminating unsecured credit could seriously threaten such market participants' ability to continue to participate in the EIS market. SPP's approach of carefully assessing a market participant's creditworthiness and extending unsecured credit to those market participants that qualify while requiring collateral for those market participants that do not provides adequate protection against market risk and possible uplifts resulting from defaults, while reducing barriers to participation in the EIS market.

C. Financial Transmission Rights Markets

The Commission proposed requiring each RTO and ISO to eliminate unsecured credit in financial transmission rights markets,[10] explaining that "the value of a financial transmission right depends on unforeseeable events," and "financial transmission rights are relatively illiquid, adding to the inherent risk in their valuation."[11]

While SPP does not currently operate an FTR market, its members and stakeholders are developing plans to implement an FTR market in the future. SPP and its stakeholders have closely monitored the events that have taken place in the FTR markets administered by other RTOs, and SPP and a majority of its stakeholders have initially determined that unsecured credit is inappropriate for FTR markets due to the difficulty in

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[10] Credit NOPR at P 23.

[11] Credit NOPR at P 21 (footnotes omitted).

fully assessing the various risks associated with FTR products and accurately estimating the credit exposures created by those risks.

As part of its future FTR market development efforts, SPP and its stakeholders are considering the implementation of daily clearing of FTR positions, which may be an appropriate method to manage and minimize the risks inherent in FTR markets.

D. Ability to Offset Market Obligations

The Commission explained that "[o]rganized wholesale electric markets typically arrange for settlement and netting of transactions entered into between market participants and the market administrator, but do not take title to the underlying contract position of a participant at the time of settlement."[12] Accordingly, the Commission proposed that each RTO and ISO "clarify their status as a party to each transaction," and sought comment on whether such clarification of status would have ramifications beyond improving an RTO or ISO's ability to manage defaults or to offset market obligations.[13]

Although SPP and its stakeholders have not had an adequate opportunity to identify and evaluate all of the ramifications involved in SPP becoming a party to every market transaction, SPP and its stakeholders are seriously concerned about the accounting and financial impacts resulting from SPP's participation in transactions and potential involvement in market participant bankruptcy proceedings. Additionally, such a proposal could subject SPP market participants to significant legal and tax implications. The Commission should explore alternate options to address concerns regarding market

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[12] Credit NOPR at P 24.

[13] Credit NOPR at P 25.

participant defaults and bankruptcies, rather than requiring RTOs and ISOs to become principal counterparties in every market transaction.

E. Minimum Criteria for Market Participants

Expressing concern that "trading by undercapitalized entities without adequate risk management procedures in place poses an unwarranted risk to organized wholesale electric markets and to their market participants,"[14] the Commission proposed that each RTO and ISO specify minimum participation criteria for all market participants. The Commission also requested comments regarding what the minimum criteria should be and the process by which each RTO and ISO should adopt such criteria.[15]

The best determinant of a market participant's eligibility is its creditworthiness. SPP determines a market participant's creditworthiness using qualitative and quantitative assessments set forth in Article Four of Attachment X, based on the type of market participant (i.e., large company, small company, not-for-profit, etc.). This detailed creditworthiness review enables SPP to determine an appropriate level of credit for each market participant and helps to ensure that market participants are financially qualified to participate in the EIS market.

Including criteria other than creditworthiness may undermine SPP's ability to provide nondiscriminatory access to the EIS market for a diverse group of market participants. To the extent that the Commission determines that other participation criteria beyond creditworthiness are needed to minimize risk, such participation criteria must be tailored to the specific type of market involved (e.g., real-time, day-ahead, FTR,

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[14] Credit NOPR at P 26.

[15] Credit NOPR at P 27.

etc.), and must be flexible enough to accommodate a diverse group of market participants.

F. “Material Adverse Change”

The Commission explained that the phrase “material adverse change,” as it relates to an event negatively impacting a market participant’s credit status and entitling a market administrator to require additional collateral from that market participant, is ambiguous, could lead to uncertainty, and could even lead to reactions from other market participants that result in defaults.[16] The Commission thus proposed that each RTO and ISO “specify under what circumstances a market administrator may invoke a ‘material adverse change’ as a justification for requiring additional collateral” and requested comments regarding the same.

SPP’s Credit Policy is consistent with the Commission’s desire to reduce ambiguity by defining several detailed instances of material adverse changes and events of default,[17] some of which can result in SPP requiring the market participant to post additional collateral. SPP and its stakeholders recognize that other examples of material adverse changes could be added to the Credit Policy to further reduce any ambiguity. However, because it is difficult to predict all possible circumstances that might result in a material adverse change, each RTO and ISO should be allowed sufficient flexibility to invoke a material adverse change not specifically identified in its Credit Policy.

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[16] Credit NOPR at P 28.

[17] SPP Tariff, Attachment X § 3.7.2.

G. Grace Period to "Cure" Collateral Posting

The Commission explained that a standardized timeframe for a party to cure its changed credit position by posting additional collateral helps eliminate uncertainty for other market participants during periods of credit stress, and that the time period to cure must be short enough to stem accumulation of debt and potentially erratic market behavior.[18] Accordingly, the Commission proposed that each RTO and ISO limit the time period allowed to cure by posting additional collateral, and requested comments on what that time period should be and whether it should be standardized among organized wholesale electric markets.[19]

SPP's Credit Policy requires a market participant to post additional security within three days of SPP determining a change in the market participant's credit position.[20] A two-day time period strikes a reasonable balance between the need to reduce identified risk and the challenges a demand for collateral might place on a market participant.

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[18] Credit NOPR at P 30.

[19] Credit NOPR at P 31.

[20] SPP Tariff, Attachment X § 3.2.2.

III. COMMUNICATIONS

Correspondence and communications with respect to this filing should be sent to, and SPP requests the Secretary to include on the official service list, the following:

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IV. CONCLUSION

SPP respectfully requests that the Commission consider these comments and reflect SPP's recommendations in any final rule promulgated in this proceeding.

Respectfully submitted,

/s/ ______________________

March 29, 2010

SPP ADMINISTRATIVE FEE - DEPRECIATION

	Projected ($Millions)						
Original-Rates Including Debt	2010	2011	2012	2013	2014	2015	2016
Assessment / Tariff Fees	$ 69.6	$ 94.3	$ 115.1	$ 124.0	$ 137.9	$ 137.3	$ 141.2
Other Revenue	43.3	39.2	39.7	40.7	41.9	43.1	44.3
Total Revenue	$ 112.9	$ 133.6	$ 154.8	$ 164.7	$ 179.7	$ 180.3	$ 185.5
Operating Expenses	$ 124.1	$ 134.7	$ 147.6	$ 155.4	$ 165.5	$ 169.2	$ 180.1
Other Income/(Expense)	3.6	2.1	(5.5)	(5.3)	(4.2)	(3.1)	(2.1)
Net Income	$ (7.6)	$ 1.0	$ 1.7	$ 3.9	$ 10.0	$ 8.1	$ 3.3
Assessment & Tariff / MWh	$ 0.209	$ 0.279	$ 0.336	$ 0.355	$ 0.387	$ 0.377	$ 0.381

	Projected ($Millions)						
Revised-Rates Using Depreciation	2010	2011	2012	2013	2014	2015	2016
Assessment / Tariff Fees	$ 69.6	$ 106.3	$ 124.5	$ 131.5	$ 139.4	$ 135.1	$ 143.9
Other Revenue	43.3	39.2	39.7	40.7	41.9	43.1	44.3
Total Revenue	$ 112.9	$ 145.6	$ 164.1	$ 172.3	$ 181.3	$ 178.2	$ 188.2
Operating Expenses	$ 124.1	$ 134.7	$ 147.6	$ 155.4	$ 165.5	$ 169.2	$ 180.1
Other Income/(Expense)	3.6	2.1	(5.5)	(5.3)	(4.2)	(3.1)	(2.1)
Net Income	$ (7.6)	$ 13.0	$ 11.0	$ 11.5	$ 11.5	$ 6.0	$ 6.0
Assessment & Tariff / MWh	$ 0.209	$ 0.315	$ 0.363	$ 0.376	$ 0.391	$ 0.372	$ 0.388

Debt Service / MWh	$ 0.028	$ 0.046	$ 0.062	$ 0.069	$ 0.091	$ 0.074	$ 0.068
Projected Load (total)	333,458	338,060	342,725	349,580	356,571	363,703	370,977

Rate Calculation Including Debt						
Expense	$ 0.233	$ 0.274	$ 0.286	$ 0.296	$ 0.304	$ 0.312
Depreciation	$ -	$ -	$ -	$ -	$ -	$ -
Debt (P)	$ 0.046	$ 0.062	$ 0.069	$ 0.091	$ 0.074	$ 0.068
Total	$ 0.279	$ 0.336	$ 0.355	$ 0.387	$ 0.377	$ 0.381

Rate Calculation Using Depreciation						
Expense	$ 0.233	$ 0.274	$ 0.286	$ 0.296	$ 0.304	$ 0.312
Depreciation	$ 0.043	$ 0.058	$ 0.058	$ 0.063	$ 0.051	$ 0.059
Debt (on pre-2011 assets)	$ 0.038	$ 0.032	$ 0.033	$ 0.032	$ 0.016	$ 0.016
Total	$ 0.315	$ 0.363	$ 0.376	$ 0.391	$ 0.372	$ 0.388
Difference Over / (Under) Original Calculations	*$ 0.035*	*$ 0.027*	*$ 0.022*	*$ 0.004*	*$ (0.006)*	*$ 0.007*

Southwest Power Pool
FINANCE COMMITTEE
Organizational Group Scope Statement

Purpose

The purpose of the Finance Committee is to oversee all aspects of SPP's financial operations, primarily insure appropriate controls, policies and procedures are documented and adhered to allowing SPP to report accurate financial reports, access external capital as required, while not exposing the company or its membership to undue risks.

Scope of Activities

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside legal, accounting or other advisors for this purpose, including the authority to approve the fees payable to such advisors and any other terms of retention. The Committee is directly responsible for the compensation and oversight of the work (including both audit and non-audit services) of the independent auditors and for recommending engagement of the independent auditors for Board of Directors approval. The Committee shall be given full access to the corporation's accounting staff, Board of Directors, corporate executives and independent accountants as necessary to carry out these responsibilities.

Specific tasks include:

1. Review and discuss with management and the independent auditors, prior to public dissemination, the corporation's annual audited financial statements with primary focus on the quality and integrity of the statements.

2. The Committee shall annually recommend for Board of Directors approval engagement of independent auditors.

3. Develop, in conjunction with management, a schedule for the preparation and development of the annual operating budget, capital budget and each special budget that provides sufficient time for preliminary development by management, review by the Committee, consideration of the proposed budget by the Board of Directors, and final approval of the proposed budget by the Board of Directors, in accordance with the overall budget cycle established by the Board of Directors.

4. Monitor the methodology of cost recovery to insure continuing equity for Members.

5. Develop policies for management of the company's capitalization, financing and long-term contracts.

6. Review periodically, with the corporation's counsel, any legal matter that could have a significant impact on the corporation's financial statements.

7. Discuss with management and the independent auditors the corporation's guidelines and policies with respect to risk assessment and risk management. The Committee should discuss the corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures.

8. Report regularly to the full Board of Directors including:
    a. any issues that arise with respect to the quality or integrity of the corporation's financial statements, the corporation's compliance with legal or regulatory requirements, the

performance and independence of the corporation's independent auditors or the performance of the internal audit function;

b. actual financial results in comparison to budgeted results;
c. following all meetings of the Committee; and
d. with respect to such other matters as are relevant to the Committee's discharge of its responsibilities.

9. Review with management and the independent auditors their assessments of the adequacy of internal controls and the resolution of any identified material weaknesses or reportable conditions.

10. Review annually the Company's Business Continuity Planning and Disaster Recovery Programs as related to financial and MIS risks as well as significant Information Security matters and any actions being taken to address weaknesses noted.

11. Review reports of actuaries and provide input to the assumptions used to develop the actuarial reports.

12. Report to the Board of Directors on the financial status of the defined benefit and retiree healthcare plans and recommend any funding requirements/strategies for the plans.

13. Review and approve annually significant financial and compliance policies which fall under the purview of the Committee.

14. The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including reviewing the compliance of the Committee with this Charter.

The Committee is not responsible for certifying the corporation's financial statements or guaranteeing the auditor's report. The fundamental responsibility for the corporation's financial statements and disclosures rests with management.

Representation
The Finance Committee shall be comprised of six members. Two representatives shall be members of the Board of Directors and one of these will be the chairperson. Two representatives from the Transmission Owning Member sector as nominated by the Corporate Governance Committee and two representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee The Board of Directors shall appoint their representatives at the regular meeting of the Board of Directors immediately following the Annual Meeting of Members. Persons designated as representatives on the Finance Committee will continue to serve until their successors have been appointed. Where a vacancy occurs, the Corporate Governance Committee will fill the vacancy in accordance with SPP Bylaws.

Duration
The Finance Committee is a permanent committee. The Committee shall meet a minimum of two times per fiscal year and at other times as called by the Chair. A quorum will constitute at least half of the members of the committee but no less than three members. Proxies are allowed if reported to the Chair prior to the meeting. All meetings of the Finance Committee shall be open to all interested parties unless closed by the Chair of the Committee.

Reporting
The Finance Committee reports directly to the Board of Directors.

Revised April 2, 2009

Southwest Power Pool

2010 Financial Commentary
As of February 28, 2010
(in thousands)

Summary

	2010 FY Forecast	2010 FY Budget	Fav/(Unfav) Variance	
Revenues	$114,250	$116,632	($2,382)	-2.0%
Expenses	124,049	127,549	3,501	2.7%
Net Loss	($9,798)	($10,917)	$1,119	10.2%

Revenue

	2010 FY Forecast	2010 FY Budget	Fav/(Unfav) Variance	
Tariff Administration Service	$64,531	$65,304	($773)	-1.2%
Fees & Assessments	21,765	21,222	543	2.6%
Contract Services & Misc Income	27,954	30,106	(2,152)	-7.1%
Total Revenue	$114,250	$116,632	($2,383)	-2.0%

The Contract Services budget assumed recognition of the 890 settlement in 2010; however, $1.5 of the settlement was recognized in 2009.

Expense

	2010 FY Forecast	2010 FY Budget	Fav/(Unfav) Variance	
Salary & Benefits	$58,416	$58,958	$541	0.9%
Assessments & Fees	12,759	12,759	0	0.0%
Communications & Maintenance	9,534	9,797	263	2.7%
Services	18,014	18,685	670	3.6%
Depreciation & Amortization	15,631	16,798	1,166	6.9%
Other Expenses	10,695	10,553	(142)	-1.3%
Total Expense	$125,049	$127,549	$2,500	2.0%

The variance in salary and benefits is related to staffing at slower rate than assumed in the original budget.

Maintenance is under budget related to renegotiated pricing of contracts more favorable than budget assmptions.

Consulting engagements are running lower than expected in comparison to the original budget. The budget was established based on the run rate from 2009. Lower expenditures primarily relate to legal and regulatory.

The depreciation budget was based on annualized capital expenditures for purchases that have not yet occured, thus resulting in a favorable variance to budget. Additionally, projects assumed to be completed and depreciating have yet to be implemented (ERMS, ITSM).

Southwest Power Pool
Forecast Overview
As of February 2010
CONSOLIDATED TOTAL
(in thousands)

	Actual Jan-10	Actual Feb-10	Forecast Mar-10	Forecast Apr-10	Forecast May-10	Forecast Jun-10	Forecast Jul-10	Forecast Aug-10	Forecast Sep-10	Forecast Oct-10	Forecast Nov-10	Forecast Dec-10	FY 2010 Forecast	FY 2010 Budget	Variance Fav/(Unfav)	Unaudited FY 2009 Actuals	Variance Fav/(Unfav)
Income																	
Tariff Administration Service	6,544.2	3,716.3	5,348.3	5,543.9	5,568.0	5,075.6	5,525.6	5,449.5	5,448.4	5,481.0	5,337.1	5,493.3	64,531.2	65,304.0	(772.8)	55,325.0	9,206.2
Fees & Assessments	960.4	3,390.1	1,741.5	1,741.5	1,741.5	1,741.5	1,741.5	1,741.5	1,741.5	1,741.5	1,741.5	1,741.5	21,765.5	21,221.9	543.5	16,845.6	4,919.9
Contract Services Revenue	1,781.3	1,781.3	1,829.0	1,829.0	1,829.0	1,829.0	1,829.0	1,829.0	1,492.0	1,492.0	1,492.0	1,492.0	20,504.6	22,400.1	(1,895.5)	22,705.5	(2,200.9)
Miscellaneous Income	344.5	296.7	793.9	669.1	669.1	669.1	669.1	669.1	667.1	667.1	667.1	667.1	7,449.0	7,706.0	(256.9)	6,528.1	920.9
Total Income	9,630.4	9,184.4	9,712.7	9,783.5	9,807.6	9,315.2	9,765.2	9,689.1	9,348.9	9,381.6	9,237.6	9,393.9	114,250.2	116,632.0	(2,381.7)	101,404.2	12,846.0
Expense																	
Salary	3,014.8	3,079.6	3,070.3	3,083.0	3,276.3	3,315.4	3,322.7	3,313.6	3,315.9	3,358.3	3,358.3	3,358.3	38,866.5	39,156.2	289.7	34,059.1	(4,807.4)
Benefits & Taxes	1,347.9	1,911.0	1,251.2	1,517.6	1,594.4	1,605.4	1,608.4	1,609.7	1,605.6	1,627.0	1,627.0	1,627.0	18,932.3	19,185.0	252.7	15,754.1	(3,178.2)
Continuing Education	24.2	36.9	51.0	76.0	65.3	58.0	60.0	46.3	63.1	53.1	45.0	38.7	617.6	616.7	(0.9)	536.0	(81.6)
Salary & Benefits	4,386.9	5,027.5	4,372.5	4,676.6	4,936.0	4,978.8	4,991.2	4,969.5	4,984.6	5,038.4	5,030.3	5,024.0	58,416.4	58,957.9	541.5	50,349.2	(8,067.2)
Employee Travel	70.9	87.7	90.9	119.7	105.3	107.2	102.2	86.9	113.2	118.3	80.5	83.6	1,166.5	1,227.6	61.1	1,404.8	238.3
Administrative	284.9	171.2	258.9	294.9	165.8	368.6	242.9	187.0	246.4	408.0	147.0	265.2	3,041.0	2,935.6	(105.4)	2,803.5	(237.6)
Assessments & Fees	1,063.3	1,063.3	1,063.3	1,063.3	1,063.3	1,063.3	1,063.3	1,063.3	1,063.3	1,063.3	1,063.3	1,063.3	12,759.2	12,759.2	(0.1)	13,104.5	345.2
Meetings	42.7	67.7	33.7	98.2	51.1	69.1	24.7	56.3	55.5	70.5	49.4	81.2	700.4	735.6	35.2	756.2	55.8
Communications	250.6	194.3	325.2	238.1	238.2	252.2	238.1	238.1	307.2	293.1	293.1	307.2	3,175.2	3,118.5	(56.7)	3,254.5	79.3
Leases	138.4	138.1	136.2	139.2	140.1	140.1	140.1	140.1	140.1	143.1	143.1	143.1	1,681.9	1,677.9	(4.1)	1,533.0	(148.9)
Maintenance	312.0	500.0	504.6	514.8	479.2	508.6	576.1	574.4	591.7	586.5	588.0	622.8	6,358.7	6,678.4	319.7	5,292.0	(1,066.7)
Services	1,078.7	1,149.9	1,562.1	1,638.2	1,727.7	1,717.4	1,550.7	1,573.1	1,658.9	1,485.3	1,370.7	1,501.6	18,014.1	18,684.6	670.4	18,396.9	382.8
Regional State Committee	19.2	26.2	17.8	17.6	17.6	170.9	17.6	17.6	17.8	17.6	142.6	17.8	500.2	490.0	(10.2)	134.5	(365.7)
Depreciation & Amortization	1,833.6	955.4	1,377.4	1,127.4	1,324.8	1,310.2	1,308.0	1,293.5	1,289.6	1,277.7	1,270.2	1,263.3	15,631.2	16,797.6	1,166.5	20,479.3	4,848.1
Total Expense	9,481.2	9,381.4	9,742.7	9,928.0	10,249.1	10,686.5	10,254.8	10,199.7	10,468.3	10,501.8	10,178.1	10,373.2	121,444.9	124,062.8	2,617.9	117,508.3	(3,936.6)
Other Income/(Expense)																	
Gain (Loss) on Sale of Fixed Asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(47.3)	47.3
Other Income	(20.0)	9.7	-	-	-	-	-	-	-	-	-	-	(10.3)	-	(10.3)	100.4	(110.7)
Interest Income	2.1	2.0	-	-	-	-	-	-	-	-	-	-	4.1	-	4.1	305.1	(301.0)
Interest Expense	(323.0)	(387.9)	(309.2)	(304.5)	(304.5)	(304.5)	(279.8)	(279.8)	(279.8)	(275.1)	(275.1)	(275.1)	(3,598.4)	(3,486.2)	112.2	(3,062.6)	535.8
Intercompany (Rev)/Exp	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SWAP Valuation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,697.9	1,697.9
Net Other Income (Expense)	(340.9)	(376.2)	(309.2)	(304.5)	(304.5)	(304.5)	(279.8)	(279.8)	(279.8)	(275.1)	(275.1)	(275.1)	(3,604.6)	(3,486.2)	106.0	(1,006.5)	1,869.3
Net Income (Loss)	(191.7)	(573.2)	(339.2)	(449.0)	(745.9)	(1,675.8)	(769.4)	(790.5)	(1,399.2)	(1,395.4)	(1,215.6)	(1,254.4)	(10,799.3)	(10,917.1)	117.8	(17,110.6)	6,311.3
2010 Headcount Actual/Fcst	430	437	438	442	468	470	471	471	471	472	472	472	472				
2010 Headcount Budget	453	459	461	467	468	470	471	471	471	472	472	472	472				
Over / (Under) Budget	(23)	(22)	(23)	(25)	-	-	-	-	-	-	-	-	-				

Projected Fixed Charge Ratio
Trailing 4 Quarters

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
Actual	(0.47)	1.73	1.93	1.94	2.42	1.92	2.07	2.64	3.04	3.62	3.41	3.23	3.42	3.28
Adjusted	0.75	1.36	1.55	1.76	2.19	1.92	2.07	2.64	3.04	3.62	3.41	3.23	3.42	3.28
Covenant	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Southwest Power Pool
Actual Results Overview
For February 2010
(in thousands)

	Current Month Compared to Forecast			YTD	YTD		YTD	YTD	
	Feb-2010 Actual	Feb-2010 Forecast	Variance Fav/(Unfav)	Feb-2010 Actual	Feb-2010 Budget	Variance Fav/(Unfav)	Feb-2010 Current Year	Feb-2009 Prior Year	Variance Fav/(Unfav)
Income									
Tariff Administration Service	3,716.3	5,320.4	(1,604.1)	10,260.5	10,884.0	(623.5)	10,260.5	8,493.5	1,767.0
Fees & Assessments	3,390.1	1,741.5	1,648.6	4,350.5	3,807.0	543.5	4,350.5	3,242.3	1,108.2
Contract Services Revenue	1,781.3	2,054.0	(272.7)	3,562.6	4,108.0	(545.4)	3,562.6	3,334.0	228.6
Miscellaneous Income	296.7	721.5	(424.8)	641.2	1,023.0	(381.8)	641.2	651.8	(10.6)
Total Income	9,184.4	9,837.4	(653.0)	18,814.8	19,822.0	(1,007.2)	18,814.8	15,721.6	3,093.2
Expense									
Salary	3,079.6	3,079.9	0.3	6,094.4	6,351.0	256.6	6,094.4	5,069.7	(1,024.7)
Benefits & Taxes	1,911.0	1,532.3	(378.7)	3,258.9	3,142.8	(116.1)	3,258.9	2,494.0	(764.9)
Continuing Education	36.9	31.1	(5.8)	61.2	72.1	10.9	61.2	94.0	32.8
Salary & Benefits	5,027.5	4,643.3	(384.2)	9,414.4	9,565.9	151.5	9,414.4	7,657.6	(1,756.7)
Employee Travel	87.7	82.4	(5.3)	158.6	183.4	24.8	158.6	205.7	47.1
Administrative	171.2	165.5	(5.7)	456.2	377.9	(78.3)	456.2	256.7	(199.5)
Assessments & Fees	1,063.3	1,063.3	(0.0)	2,126.6	2,126.6	-	2,126.6	1,600.0	(526.6)
Meetings	67.7	73.3	5.5	110.4	92.8	(17.6)	110.4	151.7	41.3
Communications	194.3	286.1	91.8	444.9	475.6	30.7	444.9	437.7	(7.2)
Leases	138.1	136.2	(1.9)	276.5	272.4	(4.1)	276.5	178.0	(98.5)
Maintenance	500.0	411.5	(88.5)	812.0	860.7	48.7	812.0	666.7	(145.3)
Services	1,149.9	1,590.4	440.5	2,228.6	3,352.8	1,124.2	2,228.6	2,738.1	509.5
Regional State Committee	26.2	17.6	(8.6)	45.4	35.2	(10.2)	45.4	8.0	(37.4)
Depreciation & Amortization	955.4	1,386.8	431.4	2,789.0	3,694.0	905.0	2,789.0	3,082.7	293.7
Total Expense	9,381.4	9,856.3	475.0	18,862.6	21,037.3	2,174.7	18,862.6	16,982.9	(1,879.6)
Other Income/(Expense)									
Gain (Loss) on Sale of Fixed Asset	-	-	-	-	-	-	-	(28.8)	28.8
Other Income	9.7	-	9.7	(10.3)	-	(10.3)	(10.3)	(15.3)	5.0
Interest Income	2.0	-	2.0	4.1	-	4.1	4.1	276.3	(272.2)
Interest Expense	(387.9)	(307.5)	80.4	(710.9)	(615.0)	95.9	(710.9)	(462.1)	248.8
Intercompany (Rev)/Exp	-	-	-	-	-	-	-	-	-
SWAP Account	-	-	-	-	-	-	-	-	-
Net Other Income (Expense)	(376.2)	(307.5)	92.1	(717.1)	(615.0)	89.7	(717.1)	(229.9)	10.4
Net Income (Loss)	(573.2)	(326.4)	(246.8)	(764.9)	(1,830.3)	1,065.4	(764.9)	(1,491.2)	726.4

Southwest Power Pool

Southwest Power Pool
Balance Sheet
As of February 28, 2010
(in thousands)

($000)	02/28/2010	(Unaudited) 12/31/2009	Variance
ASSETS			
Current Assets			
Cash & Equivalents	$26,892	$36,170	($9,278)
Restricted Cash Deposits	36,011	19,740	16,271
Accounts Receivable (net)	14,963	14,899	64
Other Current Assets	5,125	3,803	1,322
Total Current Assets	**82,991**	**74,612**	**8,379**
Total Fixed Assets	36,980	38,477	(1,497)
Total Other Assets	627	633	(6)
Investments	461	433	28
TOTAL ASSETS	**121,059**	**114,155**	**6,904**
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable (net)	6,584	11,469	(4,885)
Customer Deposits	36,121	19,740	16,382
Current Maturities of LT Debt	9,206	9,206	(0)
Other Current Liabilities	18,945	20,939	(1,994)
Deferred Revenue	4,245	6,089	(1,844)
Total Current Liabilites	**75,101**	**67,443**	**7,658**
Long Term Liabilities			
4.78% Senior Notes - 2011	5,000	5,000	0
Floating Senior Note - 2014	21,000	21,000	0
5.45% Senior Notes - 2016	30,000	30,000	0
US Bank Mortgage - 2027	4,318	4,369	(51)
Other Long Term Liabilities	5,711	5,649	62
Total Long Term Liabilities	**66,029**	**66,018**	**11**
Net Income	(765)	(11,765)	11,000
Members' Equity	(19,306)	(7,541)	(11,765)
Total Members' Equity	**(20,071)**	**(19,306)**	**(765)**
TOTAL LIABILITIES & EQUITY	**$121,059**	**$114,155**	**$6,904**

Southwest Power Pool
CAPITAL PROJECTS SUMMARY

	Prior Year(s) Captial Expense	YTD Actuals Feb-2010	Forecast Mar - Dec 2010	Full Year 2010 Forecast	Full Year 2010 Budget	2010 Forecast Over/(Under) 2010 Budget	Total Project Forecast Thru 2012	Total Project Budget Thur 2012	Forecast/Actuals Over/(Under) Total Project Budget
Project Summary									
SPP Budgeting & Forecasting System	-	-	40.0	40.0	40.0	-	40.0	40.0	-
Vehicle for Transporting Equipment	-	-	34.0	34.0	34.0	-	34.0	34.0	-
Administrative	**-**	**-**	**74.0**	**74.0**	**74.0**	**-**	**74.0**	**74.0**	**-**
Under Frequency Load Shedding (UFLS) Study	-	-	80.0	80.0	80.0	-	80.0	80.0	-
Under Voltage Load Shedding (UVLS) Study	-	-	80.0	80.0	80.0	-	80.0	80.0	-
2009 GIS & Project Tracking Solutions	-	-	-	-	-	-	-	-	-
SPP Annual Stability Analysis Tool	-	-	80.0	80.0	80.0	-	80.0	80.0	-
Aggregate Study Screening	-	-	600.0	600.0	750.0	(150.0)	600.0	750.0	(150.0)
Consulting Support for ITP Engineering	-	-	150.0	150.0	150.0	-	150.0	150.0	-
Consulting Support for Engineering Functions	-	-	100.0	100.0	100.0	-	100.0	100.0	-
Engineering	**-**	**-**	**1,090.0**	**1,090.0**	**1,240.0**	**(150.0)**	**1,090.0**	**1,240.0**	**(150.0)**
High Availability	-	96.0	4,074.0	4,170.0	4,170.0	-	5,170.0	5,170.0	-
Centralized Balancing Authority Services	193.0	-	350.0	350.0	350.0	-	1,943.0	1,943.0	-
Future Markets & CBA/Future Markets Training	1,777.0	292.7	20,813.7	21,106.4	21,359.0	(252.6)	50,452.9	50,819.5	(366.6)
Future Market	**1,970.0**	**388.7**	**25,237.7**	**25,626.4**	**25,879.0**	**(252.6)**	**57,565.9**	**57,932.5**	**(366.6)**
IT Foundation - Office Hardware and Software	-	176.5	1,960.0	2,136.5	2,105.5	31.0	4,502.5	4,471.4	31.0
IT Server Refresh and Virtualization-2010 proj-paid in 2009	542.4	129.9	1,814.1	1,944.0	2,399.0	(455.0)	4,230.5	4,143.0	87.5
IT Foundation - Network/Telecom/Security	-	24.1	536.9	561.0	561.0	(0.0)	1,872.0	1,872.0	(0.0)
IT Network/Telecom/Security Refresh	-	-	357.0	357.0	357.0	-	2,032.0	2,032.0	-
CIP Project	-	9.7	135.3	145.0	145.0	0.0	315.0	315.0	0.0
Active Directory Administration	-	-	536.0	536.0	536.0	-	536.0	536.0	-
Automated Script-Authentication Utility & Implement	-	-	477.0	477.0	477.0	-	477.0	477.0	-
IT R&D Environment	-	-	11.0	11.0	11.0	-	11.0	11.0	-
IT Environmental Operations	-	-	205.0	205.0	205.0	0.0	205.0	205.0	0.0
Increased Generator Capacity for Maumelle	-	-	-	-	-	-	4,500.0	4,500.0	-
EMS TP Utility to Windows Service	-	-	-	-	-	-	437.0	437.0	-
2009 CIP	80.0	18.0	127.0	145.0	-	145.0	225.0	355.0	(130.0)
2009 Sat Phone Replacement	184.0	-	204.0	204.0	-	204.0	388.0	388.0	-
2009 ITSM	356.0	47.6	34.7	82.3	-	82.3	438.3	616.0	(177.7)
2009 Rehost Settlements	468.0	74.6	-	74.6	-	74.6	542.6	500.0	42.6
2009 PW Datacenter Expansion	21.0	138.7	-	138.7	-	138.7	159.7	171.0	(11.3)
2009 Increase Member Circuit Bandwidth	200.5	52.9	-	52.9	-	52.9	253.4	282.0	(28.6)
Information Technology	**1,851.9**	**672.1**	**6,398.0**	**7,070.1**	**6,796.5**	**273.6**	**21,125.0**	**21,311.4**	**(186.4)**
BI Data Available to Internet Users	-	-	-	-	-	-	-	-	-
Data Dictionary	-	-	-	-	18.0	(18.0)	-	18.0	(18.0)
Data Warehouse	4,146.0	18.5	55.0	73.5	-	73.5	4,219.5	5,640.0	(1,420.5)
Market Development Analysis	**4,146.0**	**18.5**	**55.0**	**73.5**	**18.0**	**55.5**	**4,219.5**	**5,658.0**	**(1,438.5)**
SPP Facilities Development Plan	245.0	97.4	7,054.0	7,151.4	32,950.0	(25,798.6)	62,442.0	62,442.0	(0.0)
SPP Facilities Furnishings - New Data / OPS	-	-	-	-	-	-	3,520.0	3,520.0	-
SPP Facilities Occupation of New Data/Ops	-	-	-	-	-	-	15.0	15.0	-
SPP Facilities Furnishings-New Office Building	-	-	-	-	-	-	12,000.0	12,000.0	-
SPP Facilities Occupation of New Office Building	-	-	-	-	-	-	100.0	100.0	-

Southwest Power Pool
CAPITAL PROJECTS SUMMARY

	Prior Year(s) Captial Expense	YTD Actuals Feb-2010	Forecast Mar - Dec 2010	Full Year 2010 Forecast	Full Year 2010 Budget	2010 Forecast Over/(Under) 2010 Budget	Total Project Forecast Thru 2012	Total Project Budget Thur 2012	Forecast/Actuals Over/(Under) Total Project Budget
New Facility Hardware for the New Data Center	-	-	-	-	-	-	4,000.0	4,000.0	-
New facility - Network/Security Infrastructure	-	-	-	-	-	-	3,350.0	3,350.0	-
New Facility - Primary Operations Hardware	-	-	-	-	-	-	528.0	528.0	-
Interest Expense Capitalization	-	-	1,572.0	1,572.0	2,096.0	(524.0)	8,238.0	8,762.0	(524.0)
New Facility	**245.0**	**97.4**	**8,626.0**	**8,723.4**	**35,046.0**	**(26,322.6)**	**94,193.0**	**94,717.0**	**(524.0)**
Smart Grid Demonstrations for Integrating Dist Res	-	-	-	-	-	-	-	-	-
EPRI Research Portfolio	-	-	-	-	-	-	-	-	-
Contract Services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Eterra Settlement Enhancement Foundation	-	-	175.0	175.0	250.0	(75.0)	175.0	250.0	(75.0)
PRR Implementation - Operations Foundation	-	-	540.0	540.0	700.0	(160.0)	1,240.0	1,400.0	(160.0)
MOS Enhancements Foundation	-	25.0	175.0	200.0	200.0	(0.0)	467.0	467.0	(0.0)
OATI Enhancements	-	46.1	145.0	191.1	200.0	(8.9)	466.1	475.0	(8.9)
EMS Enhancements Foundation	-	26.2	72.0	98.2	100.0	(1.8)	298.2	300.0	(1.8)
Improved Intermittent Resource Integration in EIS Mkt	-	-	750.0	750.0	750.0	-	750.0	750.0	-
OPS1 Replacement	-	-	70.0	70.0	100.0	(30.0)	70.0	100.0	(30.0)
Enhanced Ops Engineering (Voltage) Analysis	-	-	50.0	50.0	50.0	-	50.0	50.0	-
Centralized Modeling Tool	-	-	605.0	605.0	800.0	(195.0)	605.0	800.0	(195.0)
Add'l Work Space for Maumelle Ops Center	-	54.0	25.0	79.0	50.0	29.0	79.0	50.0	29.0
Ops Console Layout and Equipment Changes	-	-	100.0	100.0	100.0	-	300.0	300.0	-
Ops Emergency Communications Tools	-	-	-	-	-	-	-	-	-
Automate the Backup RSS Process	-	-	140.0	140.0	140.0	-	140.0	140.0	-
Model Change Submission Tool	-	-	200.0	200.0	200.0	-	200.0	200.0	-
2009 Congestion Management Enhancements	18.3	11.0	-	11.0	-	11.0	29.4	200.0	(170.6)
2009 Dispatcher Training Simulator Enhancements	-	-	10.0	10.0	-	10.0	10.0	75.0	(65.0)
2009 Implement Centralized Modeling Tool-MOS/COS	-	-	200.0	200.0	-	200.0	200.0	200.0	-
Operations	**18.3**	**162.4**	**3,257.0**	**3,419.4**	**3,640.0**	**(220.6)**	**5,079.7**	**5,757.0**	**(677.3)**
ERMS-Enterprise Records Management System	703.0	-	165.0	165.0	165.0	-	868.0	765.0	103.0
Desk Qualification Training	-	-	9.5	9.5	20.3	(10.8)	14.5	25.3	(10.8)
Enterprise Learning Solutions	-	-	105.0	105.0	105.0	-	180.0	180.0	-
Customer Training	-	-	89.5	89.5	92.3	(2.8)	91.5	94.3	(2.8)
2009 Lab Equip for OIT & Outreach	3.2	3.5	-	3.5	-	3.5	6.7	7.0	(0.3)
2009 PM Portfolio Management	-	-	5.0	5.0	-	5.0	5.0	5.0	-
Process Integrity	**706.2**	**3.5**	**374.0**	**377.4**	**382.6**	**(5.1)**	**1,165.6**	**1,076.6**	**89.1**
E-Tariff System	222.0	101.8	124.0	225.8	225.0	0.8	529.8	307.0	222.8
Regulatory	**222.0**	**101.8**	**124.0**	**225.8**	**225.0**	**0.8**	**529.8**	**307.0**	**222.8**
TOTAL	**9,159.4**	**1,444.4**	**45,235.5**	**46,679.9**	**73,301.0**	**(26,621.1)**	**185,042.4**	**188,073.5**	**(3,031.1)**

Southwest Power Pool
2010 Staffing Analysis

Req #	*Position*	*Approved Hire Date*	*Status*	*Candidate Selected*	*Date Posted*	*Date Filled*	*Start Date*
1001	Compliance Specialist	Oct-09		Leesa Oakes	10/20/2009	1/15/2010	2/16/2010
1002	Compliance Specialist	Oct-09		Steve Applegate	10/20/2009	1/8/2010	2/1/2010
1003	RE Compliance Attorney	Oct-09		Jimmy Cline	11/23/2009	12/8/2009	1/18/2010
1004	RE Compliance Attorney	Jan-10		Clay Layson	11/23/2009	3/4/2010	4/1/2010
1005	Lead Compliance Eng	Jan-10					
1006	Lead Compliance Eng	Jan-10					
1007	Reliability Standards Manager	Jan-10					
1008	Lead Compliance Specialist	Jan-10					
1009	Staff Attorney	Jan-10			11/20/2009		
1010	Desk Qualifications Trainer	Jan-10			1/7/2010		
1011	Senior Engineer	Jan-10			11/13/2009		
1012	Engineer II	Jan-10		Josh Ross	11/13/2009	2/10/2010	3/1/2010
1013	Manager, Security and Risk Mitigation	Jan-10		Philip Propes	12/1/2009	1/1/2010	2/1/2010
1014	Business Analyst II	Jan-10		Lee Robinson	11/5/2009	1/8/2010	2/1/2010
1015	Business Analyst II	Jan-10		Ashley Elliott	11/5/2009	1/8/2010	2/1/2010
1016	Solutions Architect, Lead	Jan-10		Terry Talley	11/2/2009	1/22/2010	2/16/2010
1017	Project Manager	Jan-10		Dana Grummer	11/18/2009	1/20/2010	2/16/2010
1018	Operator in Training	Jan-10		James David Tucker	11/2/2009	12/3/2009	1/4/2010
1019	Supervisor, Tariff Administration	Jan-10		Jim Guidroz	11/2/2009	1/15/2010	2/1/2010
1020	Engineer I, Modeling & Data Integ	Jan-10		David Peterson	11/5/2009	12/18/2009	1/4/2010
1021	Supervisor, Market Support & Anal	Jan-10		Casey Cathey	11/5/2009	1/18/2010	2/1/2010
1022	Admin Asst	Feb-10		Debbie Barnett	11/18/2009	1/7/2010	2/1/2010
1023	Senior Settlement Analyst	Feb-10		Jon Luallen	1/18/2010	3/8/2010	4/1/2010
1024	Dispatcher Training Simulator (DTS) Engineer	Feb-10			12/29/2009		
1025	Business Analyst II	Feb-10		Emily Davis	11/5/2009	1/11/2010	1/11/2010
1026	Shift Engineer I	Feb-10			3/9/2010		
1027	Process Analyst	Feb-10			1/21/2010		
1028	Tariff/GI Studies Engineer I	Mar-10			11/5/2009		
1029	Senior Business Analyst	Mar-10			11/5/2009		
1030	Senior IT Specialist	Apr-10					
1031	Director, Engineering	Apr-10					
1032	Lead IT Specialist	Apr-10					
1033	Senior Test Analyst	Apr-10			11/11/2009		
1034	Test Analyst II	Apr-10			11/11/2009		
1035	Engineer II, Outage Coordination	Apr-10			3/9/2010		
1036	Manager, FTR Administration	May-10		Mak Nagle	1/26/2010	2/10/2010	2/16/2010
1037	Senior Accountant	Jun-10					
1038	Supervisor, Market Monitoring	Jun-10					
1039	Settlement Analyst	Jul-10					
1040	Senior Analyst FTR	Jul-10					
1041	Supervisor, IT Applications	Oct-10					
1042	Supervisor, Day Ahead Fin. Mkt.	Jan-10			11/3/2009		
1043	Senior Process Analyst	Year 2010		Josh Phillips	12/18/2009	3/21/2010	5/1/2010
1044	Supervisor Telecom Network and Security	Year 2010		Mike Wilkerson	12/18/2009	3/8/2010	3/16/2010
1045	eTariff Administrator I	Year 2010		Brenda Fricano	12/18/2009	2/10/2010	2/16/2010
1046	Senior Market Analyst or Senior Market Engineer	Year 2010		Carrie Simpson	1/15/2010	2/10/2010	2/16/2010
1047	Staff Accountant (Cash Management)	Year 2010		Dana Rusher	2/2/2010	3/16/2010	4/16/2010
1048	Supervisor, Modeling & Data Integrity	Year 2010			2/2/2010		
1049	IT Specialist II - Office support	Year 2010		Sherry Moore	2/10/2010	3/4/2010	4/1/2010
1050	Senior Operator - Tariff Administration	Year 2010			3/9/2010		
1051	Engineer Interns	Jun-10					
1052	Engineer Interns	Jun-10					
1053	Engineer Interns	Jun-10					
1054	Engineer Interns	Jun-10					
1055	Engineer Interns	Jun-10					
1056	Engineer Interns	Jun-10					
1057	Engineer Interns	Jun-10					

YTD Budgeted Additions (New) Hires	**20**
YTD Replacement Hires	**6**
YTD Total Hires	**26**

Replacement Headcount Highlighted in Yellow

Status Legend

Filled
Posted, Open
Not Posted Yet

SPP Southwest Power Pool

Executive Summary – Officer Update

Program Name: New Facilities Program
Program Number: PG20090005
Date: 29 Mar 2010

Current Status

The updates listed below are again segregated into three distinct sets of activities. The items listed below represent changes from the last Officer Update and do not reflect completed items from previous updates. The appendix attached to this report provides the overall timeline for the same sets of work.

Site Preparation

- For clarification: Site Prep doesn't include clearing, grading or other activity related to construction of either building. This is activity associated with utility connectivity prep and readying the site for construction.
- Based upon Planning Commission approval of the seller's requests, SPP is scheduled for a site plan review on Thursday, April 8. The sellers continue to make progress in meeting their outstanding obligations.
- Geotechnical site evaluations are underway.
- Preliminary steps for telecom connectivity are underway; good, timely progress for long lead-time activity.
- A meeting with Entergy will be scheduled ASAP to review campus power needs and sub-station capacity.
- We continue to track toward a 15 May completion for this set of activity.

Data/Operations Center

- Schematic design for the building is complete. Meetings have occurred between WER and representatives from IT and Operations to solicit design feedback.
- IT has responded with a set of data center design questions for WER and TME, Inc. (consulting engineers).
- An Operations team has initiated discussions regarding desk layout in the Operations Center using the modular desk construction presented by WER. This will allow great flexibility in the layout of the desks.
- Preliminary pricing is complete and design work continues to track toward a 1 Jun construction start date.

Office Building

- Design work on the Office Building continues with the schematic due by the end of April.
- Design feedback with SPP management and preliminary pricing will follow immediately.
- Target date for completion of design and start of construction is 15 Sep 2010.

Current Budget Status

While each department will continue to manage their respective budget expenses for the Program, roll-up reporting will be provided by the Program Manager. A single report, provided below, outlines expenses associated with construction and migration. Original budget estimates will be refined as project plans progress.

	Budget Estimates				Actual Expenses to Date
Project	**Owner**	**Year(s)**	**Original**	**Refined**	
PR20080032 Construction	Dunn	2010-2012	$62,197,000		$497,454.59
PR20080033 DC Migration	Sugg	2010-2012	$9,260,000		
PR20080035 Office Migration	See	2011-2012	$12,115,000		
		PROGRAM TOTALS	**$83,572,000**		

NEW FACILITIES PROGRAM

High-Level Schedule Milestones as of March 29, 2010

NOTES

1. All dates shown are subject to change as the project plans are refined
2. Data shown are based on best estimates available from vendors (WER and Nabholz)
3. Timelines do not reflect activity that took place prior to 1/1/2010

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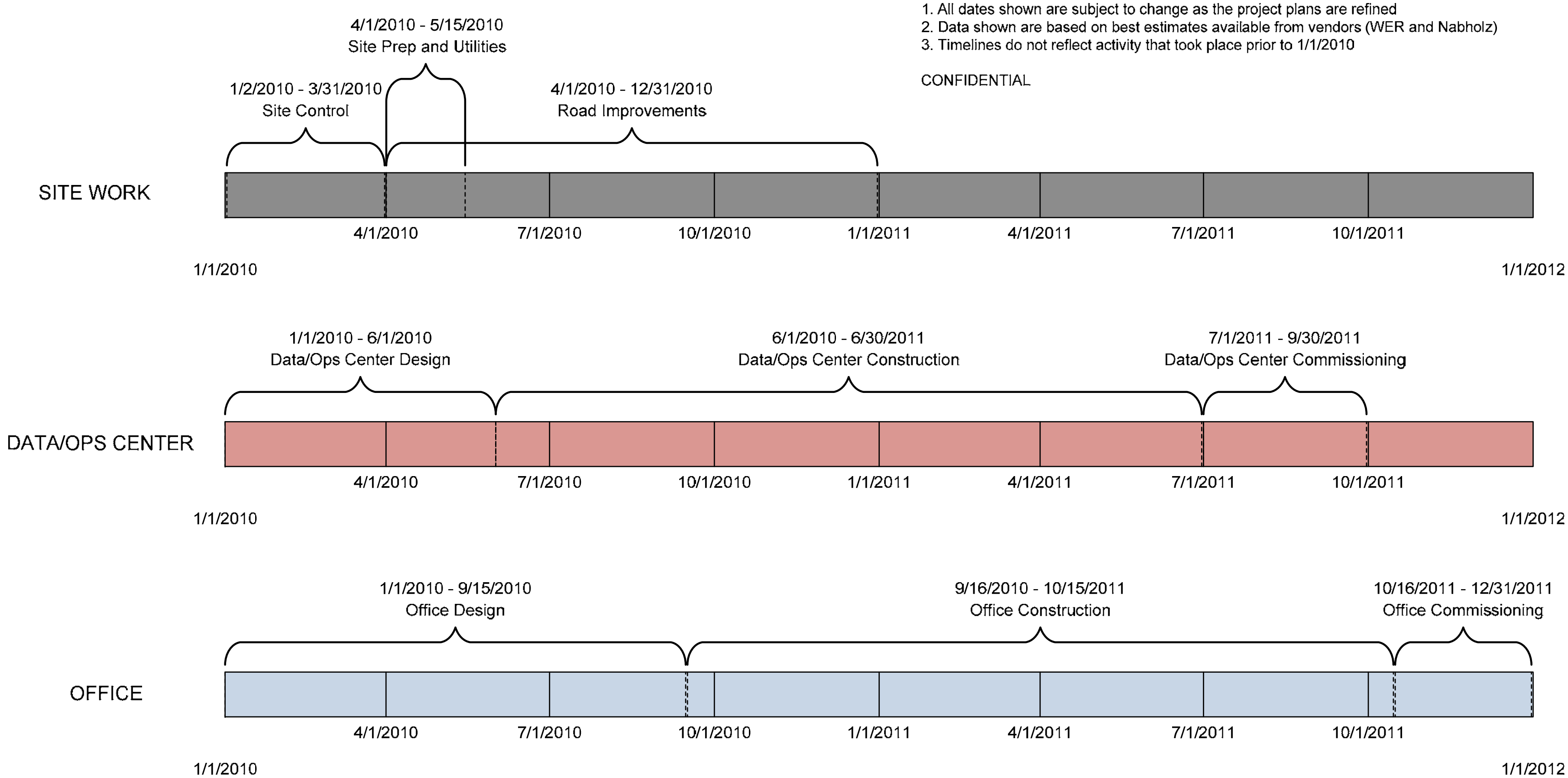

Future Markets Project

Project Description: The Future Markets Project includes the implementation of a Day-Ahead Market (DA Market), Real-Time Balancing Market (RTBM), Reliability Unit Commitment (RUC) processes and Transmission Congestion Rights (TCRs) Markets. The DA Market provides Market Participants with the ability to submit offers to sell Energy, Regulation-Up, Regulation-Down, Spinning Reserve and Supplemental Reserve and/or to submit bids to purchase Energy. The RTBM provides Market Participants with the ability to submit offers to sell Energy, Regulation-Up, Regulation-Down, Spinning Reserve and Supplemental Reserve. The RUC processes are reliability based and are needed to ensure that the physical unit commitment produced from the DA Market is sufficient to meet SPP projected capacity needs during the Operating Day. The TCR Markets provides a financial hedge against congestion costs in the DA Market. TCRs are obtained by Market Participants through the Annual and Monthly TCR Auctions.

Current Status: The Future Markets Project milestones are as follows:

Recently Completed Key Milestones

Key Milestone	Completion Date
Mid-Level Design Finalized by MWG	December 14, 2009
MWG received feedback on the Mid-Level Design	March 1, 2010

Upcoming Key Milestones

Key Milestone	Estimated Completion Date
MWG Checkpoints with MOPC	April 2010 & July 2010
MWG Finalize Core Protocols	May 2010
MWG Finalize Non-Core Protocols	July 2010
MWG Finalize Protocols	September 2010
MOPC Approval of Protocols	September 2010
BoD Approval of Vendor Contracts	October 2010

The MWG continues development of the Future Markets Protocols. The group is slightly behind the published Protocol development schedule but still expects to meet the May 2010 milestone at this point in time. The MWG identified eight design concerns based on the comments received from stakeholders on the Mid-Level Design. The MWG position on the eight design concerns as well as the opposing position on the concerns will be presented to the MOPC on April 13, 2010. The MOPC is expected to make the final decision on the eight design concerns. SPP staff is currently developing the framework for the Business Requirements phase of the project. This framework will be used to identify the business and application requirements for the market functions and will be used during the vendor procurement process.

Budget Status: The Future Markets Project Capital Budget summary is as follows:

Prior Year(s) Capital Expense	YTD Actuals Feb-2010	Forecast Mar-Dec 2010	Full Year 2010 Forecast	Full Year 2010 Budget	2010 Forecast Over/(Under) 2010 Budget	Total Project Forecast Thru 2012	Total Project Budget Thru 2012	Forecast/ Actuals Over/ (Under) Total Project Budget
1,777.0	292.7	20,813.7	21,106.4	21,359.0	(252.6)	50,452.9	50,819.5	(366.6)

Southwest Power Pool

Memorandum

To: **Finance Committee Members**

From: **Tom Dunn**

CC: **Stacy Duckett, Cheryl Robertson**

Date: **March 26, 2010**

Re: **2010 Meeting Schedule**

Detailed below is a schedule for face-to-face meetings of the Finance Committee for 2009/10 along with suggested agenda items to be covered at the meetings.

Meeting Date	Time	Meeting Location	Agenda Items
April 1, 2010	8:30am	Dallas, TX	Financial audit review
July 9, 2010	8:30am	Dallas, TX	Mid-year review Insurance review 2011 Admin Fee
Sept. 20, 2010	8:30am	Dallas, TX	2010 budget review Auditor engagements
Dec. 6, 2010	2pm	Dallas, TX	Accept SAS70 Audit