



Southwest Power Pool
FINANCE COMMITTEE MEETING
June 15, 2011
Marriott Las Colinas – Dallas, TX

• Summary of Action Items •

1. Approved minutes of April 5, 2011 meeting.
2. Approved amendment to Credit Practices Working Group scope document.
3. Approved change in cap on Schedule 1A to 35¢/MWh to be filed immediately without change to rate setting process.
4. Approved 2011 funding of SPP Retirement Plan of \$3,132,000.

• Schedule of Follow-up Items •

1. SPP President to review metering in SPP region and suggest opportunities for improvement
2. Incorporate increased effectiveness/cost savings as a line item in SPP's budgets and financial reports.
3. Impact of depreciation schedules on property taxes and balance sheet.



Southwest Power Pool
FINANCE COMMITTEE MEETING
June 15, 2011
Marriott Las Colinas – Dallas, TX

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Harry Skilton called the meeting to order at 8:30 a.m. The following members were in attendance or represented by proxy:

Harry Skilton	SPP Director
Larry Altenbaumer	SPP Director
Kelly Harrison	Westar
Kip Fox (proxy for Sandra Bennett)	Southwestern Power Company
Gary Voigt	Arkansas Electric Cooperative
Tom Dunn	SPP

Others attending included:

Carol Shoemake	phone	Oklahoma Gas & Electric
Terri Wendlandt	phone	Westar
Jayne Clarke	phone	Sunflower
Julian Brix	in person	SPP Director
Phyllis Bernard	in person	SPP Director
Bruce Cude	in person	Southwest Public Service
Tom Fritsche	phone	SPP
Nick Brown	in person	SPP
Michael Desselle	in person	SPP
Carl Monroe	in person	SPP
Stacy Duckett	in person	SPP
Lauren Krigbaum	in person	SPP
Sean Berry	phone	Price Waterhouse Coopers
Debra Henehan	phone	Price Waterhouse Coopers

The minutes from the April 5, 2011 meeting were reviewed. Kelly Harrison motioned to approve the minutes. The motion was seconded by Kip Fox and approved via unanimous voice vote.

Agenda Item 2 – Credit Practices Working Group Report

Terri Wendlandt and Jayne Clarke, chair and vice chair of the Credit Practices Working Group (“CPWG”), reported on the group’s recent activities. To date, the group has been focused on completing the compliance filings required of FERC Order 741. One filing will be made June 30 and a second filing dealing solely with netting and offsets will be made on September 30.

The CPWG is now meeting weekly and is focused on addressing the previously noted compliance filing as well as determining the calculations needed to measure credit exposures once SPP implements its Integrated Marketplace. The CPWG plans to report timelines and preliminary approaches to these issues at the September 28, 2011 meeting of the Finance Committee.

The Finance Committee directed the CPWG to consider the following when developing credit approaches for the Integrated Marketplace:

- Provide support in determining credit capability of entities engaged in SPP market activities (including Auction capability, virtual capability, TCR capability).
- Recommend clear formulation for on-going credit requirements for market participants (margins in TCR's, virtuals).
- Recommend clear credit mitigation tools (TCR balancing accounts, VAR testing, worst case scenario testing,...)
- Working with SPP staff, develop tools for future value assessment of TCR's, DAM, RTM, Virtuals,.....

The CPWG presented a recommendation to amend their organizational scope document to increase the membership of the group from 6 to 10. Larry Altenbaumer motioned to approve the recommended changes to the scope document. The motion was seconded by Gary Voigt and approved by unanimous voice vote.

Agenda Item 3 – SPP Business Continuity and Disaster Recovery Program

SPP staff presented information on SPP's Business Continuity and Disaster Recovery program. In terms of maturity of the program, SPP meets the "defined" level.

Agenda Item 4 – SPP Rates

SPP staff presented a written recommendation detailing outlining efforts to date to allow greater flexibility in SPP's rate making process. SPP staff and the Regional Tariff Working Group had completed work on tariff language which would allow SPP greater discretion in setting its rates to provide the membership and customers with a rate which exhibits greater predictability. Staff's recommendation was to not adopt this language due to concerns associated with utilizing forecasts which have proven accurate in the rate making process. The Committee discussed a suggestion to allow customers to choose a rate set annually or a three year level rate. SPP staff committed to investigating this structure.

Kelly Harrison motioned to approve the recommendation to proceed with changing the rate cap on Schedule 1A to 35¢/MWh and filing with FERC immediately. The motion was seconded by Gary Voigt and approved by unanimous voice vote.

Agenda Item 5 – SPP Rate Structure

SPP staff presented three different potential rate structures along with initial pros and cons of each structure. The Committee debated the rate structures and eventually focused on a structure which left Schedule 1A bundled but added transaction fees for trades in virtual energy and TCR trades. SPP staff was directed to perform further analysis on this structure and report the results at the September 28, 2011 meeting of the Finance Committee.

Agenda Item 6 – SSAE 16 Audit Report

Sean Berry and Debra Henehan of PWC reported the findings from phase I of the 2011 SSAE 16 audit of SPP's control environment. The auditors identified two instances which may result in a qualification or exception in the final report. SPP staff agreed with the findings and detailed actions taken to mitigate future exceptions on the noted controls. SPP staff was directed to inform the Finance Committee of any changes to Section 19.6 of SPP's control documentation.

Agenda Item 7 – 2011 Pension Funding

SPP staff presented a recommendation to fund SPP's Retirement Plan in accordance with the recommendation of the Plan's actuary.

Larry Altenbaumer motioned to approve the recommendation to fund the SPP Retirement Plan in 2011 with \$3,132,000. The motion was seconded by Gary Voigt and approved by unanimous voice vote.

Agenda Item 8 – 2011 Insurance Stewardship Report

SPP staff presented a report on SPP's 2011 corporate insurance program and outlook for 2012. SPP staff was directed to provide the Committee with historical claims and premium experience at its September 28, 2011 meeting.

Agenda Item 9 – Future Meetings

The next meeting of the SPP Finance Committee is scheduled for September 28, 2011 in Dallas, TX. Significant agenda items will include review of the 2012 budget and continued discussion on SPP's rate structure.

Other Items

SPP staff reviewed the organization structure and strategy for successful development and implementation of the Integrated Marketplace. The Committee requested SPP staff consider the implications on SPP's controls upon implementation of the Integrated Marketplace and add a workstream to provide focus to the effort.

Agenda Item 8 – Written Reports

The Committee reviewed written reports covering: 1) Financial covenants in SPP's credit agreements; 2) Process improvement activities; 3) Management response to 2010 financial audit; 4) Management assessment of capability of current accounting platform; 5) New facility project; 6) April 2011 financial reports

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
June 15, 2011
Marriott Las Colinas – Dallas, TX

• A G E N D A •

8:30 a.m. – 3:30 p.m.

- 1. Administrative Items (10 minutes)..... Harry Skilton
- 2. Business Continuity and Disaster Recovery Program (60 minutes)Michael Desselle
- 3. **SPP Rates (2010 BOD Action to Increase Rate Setting Flexibility) (60 minutes) *** Tom Dunn
- 4. SPP Rate Structure – Bundled, Unbundle, or Other (60 minutes)..... Tom Dunn
- 5. 2011 SSAE 16 Audit Report (30 minutes).....Sean Berry – PWC / Lauren Krigbaum
- 6. Credit Practices Working Group Report (60 minutes)..... Terri Wendlant – Westar
 - a. **Group Size ***
- 7. **2011 Pension Funding (30 minutes) ***..... Tom Dunn
- 8. 2011 Insurance Stewardship Report (30 minutes)..... Tom Dunn
- 9. Future Meetings..... All
- 10. Written Reports
 - a. Financial Covenant Report
 - b. Process Improvement Update Report
 - c. SPP Management Response to Financial Audit
 - d. SPP assessment of accounting software
 - e. New Facility Construction Report
 - f. April 2011 Financial Report

*** Indicates Action Items**

Relationship-Based • Member-Driven • Independence Through Diversity
Evolutionary vs. Revolutionary • Reliability & Economics Inseparable



Southwest Power Pool
FINANCE COMMITTEE MEETING
April 5, 2011
DFW Hyatt Regency – Dallas, TX

• Summary of Action Items •

1. Approved minutes of December 6, 2010 meeting
2. Accepted 2010 financial audit report and management letter
3. Approved 2011 funding of SPP Post-retirement Healthcare Plan of \$445,000

• Schedule of Follow-up Items •

1. SPP President to review metering in SPP region and suggest opportunities for improvement
2. Incorporate increased effectiveness/cost savings as a line item in SPP's budgets and financial reports.
3. Impact of depreciation schedules on property taxes and balance sheet.
4. SPP Staff to provide written response to deficiencies noted in BKD management letter.
5. SPP Staff to present written report detailing existing financial covenants in loan agreements and efforts to eliminate financial covenants in existing loan agreements.
6. Assess the viability of SPP's current accounting platform to function appropriately upon implementation of the SPP Integrated Marketplace. Ensure Integrated Marketplace is able to integrate with other current accounting platforms.



Southwest Power Pool
FINANCE COMMITTEE MEETING
April 5, 2011
DFW Hyatt Regency – Dallas, TX

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Harry Skilton called the meeting to order at 8:30 a.m. The following members were in attendance or represented by proxy:

Harry Skilton	SPP Director
Larry Altenbaumer	SPP Director
Kelly Harrison	Westar
Sandra Bennett	Southwestern Power Company
Tom Dunn	SPP

Others attending included:

Bary Warren	phone	Empire District Electric
Carol Shoemake	phone	Oklahoma Gas & Electric
Terri Wendlandt	phone	Westar
Dianne Branch	phone	SPP
Scott Smith	phone	SPP
Tom Fritsche	phone	SPP
Nick Brown	in person	SPP
Scott Noble	phone	SPP
Keith Conine	in person	BKD, LLC
Steve Osborn	in person	Osborn, Carreiro & Assoc.

The minutes from the December 6, 2010 were reviewed. Kelly Harrison motioned to approve the minutes. The motion was seconded by Sandra Bennett and approved via unanimous voice vote.

Harry Skilton provided an overview of a meeting held earlier this year with Tom Dunn to discuss issues the Committee will likely be asked to address during the coming two years and how to better facilitate the meetings going forward. Issues likely to be addressed by the Committee include, but are not limited to;

Budget	2 Committee reviews, documented process efficiencies, effective project reviews
Credit	Requirements for Integrated Marketplace, identification of anomalies
Capital	100% debt structure appropriateness, other funding sources
Rates	Manage rates downward, unbundle administrative rate
ERM	Use within SPP decision process, appropriate governance structure

Going forward all agenda items will have a suggested time frame for discussion to help ensure the dialogue remains on task. Recommendations from staff will include documentation of alternative solutions and identification of reasons the alternatives were not recommended.

Agenda Item 2 – 2010 Financial Audit Report

Keith Conine of BKD, LLC reviewed with the Committee their findings upon completing an audit of SPP's 2010 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 general ledger sequencing, approved vendor lists, and reimbursement of employee expenses through A/P vs. payroll. The Committee encouraged SPP management to address these issues in as practical a manner as soon as possible and provide a written report to the Committee at its next meeting.

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

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

Agenda Item 3 – 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’s minimum funding level for 2011 is \$2,230,000, maximum funding level is \$9,214,000 and recommended funding level is \$3,132,000 which equates to the benefits expected to be earned by employees during 2011. Mr. Osborn also highlighted the plan’s termination cost as January 1, 2011 was \$19,000,000 which, for the first time, was exceeded by plan assets totaling \$23,500,000.

Regarding the post-retirement healthcare plan, Mr. Osborn indicated the cost of the plan for 2011 would be \$445,000.

The Committee debated the benefits of funding the maximum allowable contribution of \$9,214,000 into the plan during 2011 using SPP’s excess cash balances. The concept focused on the assumption SPP would not utilize all of its excess cash during 2011 and thus the cash would be earning relatively low daily money market returns and a more effective utilization of that cash would be to fund the pension at as high a level as allowed and take advantage of the higher returns generally earned within the pension thereby reducing potential future pension contributions. The Committee requested SPP staff prepare cash flow forecasts which model the potential impacts to SPP’s financial statements and rates.

Sandra Bennett motioned to approve funding for 2011 for the post-retirement healthcare plan at \$445,000. The motion was seconded by Kelly Harrison and approved by unanimous voice vote.

Agenda Item 4 – RTO Rate Structure

SPP staff presented a written report describing SPP’s existing rate structure, changes in SPP’s services and relationships with its members, and issues to be addressed if the rate structure is changed in the future. The Committee discussed numerous aspects of SPP’s general philosophy on rates and how the current philosophy may correlate with SPP’s expected future environment. The Committee also reviewed and discussed the rate structure of other RTOs in the United States. The Committee was advised this subject will also be discussed at the upcoming planning retreat of SPP’s Strategic Planning Committee.

Agenda Item 5 – Improving Business Process Improvement and Efficiency

Discussion deferred.

Agenda Item 6 – Credit Practices Working Group Report

Terri Wendlandt, Chair of the Credit Practices Working Group, advised the Committee of changes required to be made to the SPP Credit Policy and SPP Tariff to comply with FERC's Order 741 – Credit Reforms. Additionally, there were other changes recommended to be made which were not required to comply with the FERC Order; these changes ensured all cure periods in the Credit Policy were 2 days which matches the cure periods required for collateral calls in FERC's Order 741. These changes were not approved within the SPP Regional Tariff Working Group and would not be submitted for approval at the next meeting of the SPP Markets and Operations Policy Committee meeting. Harry Skilton indicated he would be attending the SPP Markets and Operations Policy meeting the following week and would indicate the desire of the SPP Finance Committee to have these cure period changes included.

Harry Skilton indicated he would like for the Credit Practices Working Group and the Finance Committee to conduct a joint face-to-face meeting specifically discussing the origination and magnitude of exposures expected upon implementation of SPP's Integrated Marketplace.

Agenda Item 7 – Future Meetings

The next scheduled meeting of the SPP Finance Committee will be held on June 15, 2011 from 8:30 am to 3:00 pm in Dallas, TX. Topics for this meeting will include forecast of SPP's 2012 administrative fee, review of SPP's insurance programs and mid-year review of SSAE-16 audit.

Additionally, the SPP Finance Committee meeting scheduled for December 5, 2011 has been rescheduled to December 12, 2011 and will now be held in Little Rock, AR

Agenda Item 8 – Written Reports

The Committee reviewed written reports covering: 1) SPP's new facility; 2) February 2011 financial reports; and 3) 2012 budget process

There being no further business, Harry Skilton adjourned the meeting at 2:15 pm.

Respectfully Submitted,

Thomas P. Dunn
Secretary



Southwest Power Pool, Inc.

FINANCE COMMITTEE

June 15, 2011

Schedule 1A Rate Setting Process

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
Sandra Bennett	American Electric Power
Kelly Harrison	Westar Energy

BACKGROUND

The SPP Board of Directors took the following action at their July 27, 2010 meeting: Mr. Skilton moved to establish a new rate cap for Schedule 1A of the SPP Regional Tariff at 35¢/MWh, and amend rate language to allow SPP greater flexibility in rate setting; Mr. Larry Altenbaumer seconded the motion. The Members Committee voted in unanimous approval. The Board voted: the motion passed.

Further activity on this directive was deferred to early 2011 because SPP's administrative fee rate for 2011 would not exceed the current rate cap of 22.5¢/MWh.

The Regional Tariff Working Group ("RTWG") took the following action at their March 31, 2011 meeting:

Bill Dowling moved to approve the tariff language proposed in TRR 032 – Admin Fee Changes. David Kays seconded. The motion passed with an abstention by Lincoln Electric.

ANALYSIS

SPP staff discussed with FERC staff the actions of the SPP Board of Directors to amend SPP's rates to allow greater flexibility in the rate setting process. The discussion focused on FERC's role in providing oversight of RTO operations, and specifically, oversight of RTO costs. FERC has initiated a number of proceedings in other RTO markets whereby FERC strengthen its requirements for RTOs to document and justify its budgets and real-time true-ups. The trend has been to require more frequent reporting and more rapid true-up of actual costs.

A proposed SPP rate structure verbally discussed with FERC was to allow the SPP Board and stakeholders to have complete discretion for rate setting within a specified rate cap. This structure would allow the Board and stakeholders to set SPP's rates at levels which satisfied the needs of SPP to fully fund its operations and the desires of the stakeholders to have a predictable and smooth rate absent large fluctuations in future years. This proposed structure was deemed extremely unlikely to be approved as it would essentially circumvent the regulator's ability to provide meaningful oversight of costs and determinations of reasonableness of costs.

It was determined the most liberal rate setting process which would likely be agreeable to SPP's regulator was a structure where rates were determined based on a three year forecast with some triggers for true-up (or rate resetting) if costs deviate from forecasts by a set percentage. SPP would need to demonstrate in its filing why this structure is superior to its existing structure and how the triggers and SPP's stakeholder processes could be depended upon to ensure rates remain reasonable.



SPP's Regulatory Policy department along with SPP's FERC counsel drafted changes to Schedule 1A of the SPP Regional Tariff to document a three year rate setting structure (Attachment I). SPP's Finance department created a series of scenarios depicting the impact to SPP's rates under this three year structure (Attachment II).

Meaningful changes to the tariff are as follows:

- Cap increased to 35¢/MWh
- Rate based on expected costs for a set three year period and expected load for that same three year period
- True-up calculations occur prior to end of three year period to be effective in the next three year period
- SPP BOD can change rate during three year period upon determining actual results vary from budget/forecast by more than 2%; BOD is not obligated to change rate if 2% variance occurs

The base model forecasts SPP's rates based on SPP's 2011 budget which included a forecast of 2012 and 2013. Thereafter, base expenditures and non-tariff revenue increase annually based on specific growth rates. The variance cases are designed to illustrate the impact to SPP's rates based on higher/lower levels of load and expenditures. Additionally a set of models was developed using SPP's variances from budget in the 2006 – 2010 fiscal years applied to the forecast years sequentially. Meaningful observations from the financial models are as follows:

- Implementation of the proposed structure will result in higher rates now versus SPP's current pay-as-you-go plan
- Variances in NRR of +/- 2% can be accommodated without requiring large changes to the rates
- Variances in NRR of +/- 5% would drive large changes in the rates
- SPP's historical variances from budget would result in large changes in the rates from expected levels

The structure proposed certainly meets the directive of the SPP Board of Directors to provide greater flexibility in SPP's rate setting processes. The ability of this process to satisfy the desires of certain stakeholders for predictable and level rates is questionable based on the models reviewed. Several factors combine to create uncertainty in the ability of SPP to meet the desires of its members in the near term. These factors include:

- Unknown costs associated with development, implementation, and ongoing operation of SPP's Integrated Marketplace
- Tight "margins" in SPP's operations whereby minor unfavorable variances in controllable (spending) and uncontrollable (load) variables can significantly impact SPP's ability to fund its operations. Favorable variances result in SPP holding large amounts of excess cash
- SPP's forecasting competency in the near term has not proven to be reliable, longer-term forecasts (2 and 3 years out) would be even less reliable, particularly when used as the basis for setting SPP's rates.

RECOMMENDATION

Approve increase in Schedule 1A rate cap to 35¢/MWh

Defer change to SPP's rate setting process until FY'14 when SPP's growth is expected to flatten allowing for greater reliability in SPP's forecasts which would be utilized in rate setting process.

Approved: Finance Committee

Action Requested: Approve Recommendation

TRR Number	032	TRR Title	Administrative Fee Change & Length of Time the Rate is Effective
Cross Reference #	PRR BRR	Other (Specify) _____	
Sponsor			
Name	Tom Dunn		
E-mail Address	tdunn@spp.org		
Company	SPP		
Phone Number	501-614-3320		
Date	9/22/2010		
Tariff Section(s) Requiring Revision	Section No. Title Tariff Version (effective date)		
Requested Resolution	<input checked="" type="checkbox"/> Normal <input type="checkbox"/> Urgent (provided justification below for urgent request)		
Revision Description	Change the cap for the Schedule 1-A rate to 35¢/MWh from 22.5¢/MWh and add language allowing SPP flexibility in setting its rates based on a three-year view of rate requirements vs. the existing annual view.		
Reason for Revision	<p>SPP's Board of Directors took the following action at their July 27, 2010, meeting:</p> <p>Mr. (Harry) Skilton moved to establish a new rate cap for Schedule 1A of the SPP Regional Tariff at 35¢/MWh, and amend rate language to allow SPP greater flexibility in rate setting; Mr. Larry Altenbaumer seconded the motion. The Members Committee voted in unanimous approval. The Board voted: the motion passed.</p> <p>This language allows SPP to have a rate that is adequate to fund its operations and that is level and predictable.</p>		
Stakeholder Approval Required (specify date and record outcome of vote; n/a for those stakeholders not required)	MWG BPWG TWG ORWG Other (specify) FC approved 7/10 RTWG Approved 3/31/11 MOPC Board of Directors approved 7/10		

Market Protocol Implications or Changes	<input type="checkbox"/> Yes (Include a summary of impact and/or specific changes & PRR #) <input type="checkbox"/> No
Business Practice Implications or Changes	<input type="checkbox"/> Yes (Include a summary of impact and/or specific changes & BRR #) <input type="checkbox"/> No
Criteria Implications or Changes	<input type="checkbox"/> Yes (Include a summary of impact and/or specific changes) <input type="checkbox"/> No
Other Corporate Documents Implications (i.e., SPP By-Laws, Membership Agreement, etc.)	<input type="checkbox"/> Yes (Include which corporate documents) <input type="checkbox"/> No
Credit Implications	<input type="checkbox"/> Yes (Include a summary of impact and/or specific changes) <input type="checkbox"/> No
Impact Analysis Required	<input type="checkbox"/> Yes <input type="checkbox"/> No

Proposed Tariff Language Revision (Redlined)

SEE LANGUAGE BELOW

SCHEDULE 1-A

Tariff Administration Service

The Transmission Provider shall provide Tariff Administration Service to carry out its responsibilities under this Tariff. The Transmission Customer must purchase this service from the Transmission Provider. The charges for this Service are to be developed as shown below.

1. Administration Charge:

An administration charge shall be applied to all transmission service under this Tariff to cover the Transmission Provider's expenses related to administration of this Tariff. For Point-To-Point Transmission Service this charge shall be up to \$0.~~225~~-35 per MW per hour for all capacity reserved. For Network Integration Transmission Service this charge shall be up to \$0.~~225~~-35 per MW per hour for the 12 month average of the Transmission Customer's coincident Zonal Demands used to determine the Demand Charges under Schedule 9 multiplied by the number of all hours of the applicable month. The charge per MW per hour shall be the same for Point-To-Point Transmission Service as for Network Integration Transmission Service.

~~For each calendar year, T~~the Transmission Provider shall establish a ~~rate~~fixed (except as provided below) rate for the collection of this administration charge, not to exceed the cap set forth in the preceding paragraph, for a three-year period. The fixed-rate shall be determined by dividing projected ~~expenses-costs (on a cash flow basis) for the period~~ based on ~~its~~the budget for the first calendar year of the period and forecast budgets for the other two years, divided by the projected annual Schedule 1-A billing units for the ~~calendar year~~three-year period. Before the end of the three-year period, Tthe Transmission Provider shall reconcile actuals revenues and expensecosts (including, as necessary, projections of revenues and expensecosts for the remaining months of the period at the time of the reconciliation) to the budgeted figures used to establish the fixed-rate and shall adjust charges for the following ~~calendar~~three-year period to reflect either over- or under-recoveries of its costs for the prior ~~year~~three-year -period to allow the Transmission Provider to recover its actual costs. In projecting and recovering its ~~expensescosts~~, the Transmission Provider shall recover 100% of its total ~~expenses-costs~~ through this charge up to the cap of \$0.~~225~~-35 per MW per hour for all transmission service under the Tariff.

Within the three-year period for which a fixed-rate has been established, the Transmission Provider shall have the discretion to raise or lower the fixed-rate (not to exceed the cap) if the Transmission Provider determines that the then-existing fixed-rate will cause revenues to substantially over- or under-collect costs for the three-year period. For purposes of this determination, an over- or under-collection in excess of [two?] percent of costs shall be considered substantial. In determining whether to exercise its discretion to raise or lower the fixed rate, the Transmission Provider shall take into account the Members' desire to avoid fluctuations in the fixed rate. Any adjustments to the rate shall be approved by the Board of Directors and posted on the SPP website.

2. Transmission Service Request Charges:

The Transmission Customer shall pay the Transmission Provider a charge for each new Transmission Service Request as follows:

- (i) For Firm Point-To-Point Transmission Service:
 - Reservations less than one month: \$100
 - Reservations one month or longer: \$200
- (ii) For Non-Firm Point-To-Point Transmission Service:
 - Each Reservation: \$0.

However, the Transmission Customer shall have this fee rebated to it once the Transmission Customer becomes legally obligated to pay the applicable Firm Point-To-Point Transmission Service charges under this Tariff or if the requested Firm Point-To-Point Transmission Service is denied by the Transmission Provider.

3. Bad Debt Expense:

The Transmission Provider shall include in its charges under this Schedule a component to cover estimated bad debts. The Transmission Provider shall reconcile actuals to estimates and shall adjust future monthly charges to reflect either over or under recoveries.

Proposed Market Protocol Language Revision (Redlined)

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Proposed Business Practices Language Revision (Redlined)

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Proposed Criteria Language Revision (Redlined)

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Revisions to Other Corporate Documents (Redlined)

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Attachment II

ADMIN FEE ANALYSIS
Summary of Variance Impact on Rate

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Current Methodology (Annual Calculation)	\$0.250	\$0.270	\$0.340	\$0.360	\$0.370	\$0.340	\$0.350	\$0.360	\$0.370
3 Year Constant Rate (Beginning in 2012)	\$0.290	\$0.290	\$0.290	\$0.355	\$0.355	\$0.355	\$0.360	\$0.360	\$0.360
Impact of Variances on Rates - Scenarios A-G									
(A) NRR Over by 10%	\$0.290	\$0.290	\$0.290	\$0.380	\$0.405	\$0.440	\$0.370	\$0.390	\$0.420
(B) NRR Over by 2%	\$0.290	\$0.290	\$0.290	\$0.360	\$0.370	\$0.370	\$0.360	\$0.370	\$0.370
(C) Billable Load Under by 5%	\$0.290	\$0.290	\$0.290	\$0.380	\$0.405	\$0.440	\$0.370	\$0.390	\$0.420
(D) NRR Over by 5%	\$0.290	\$0.330	\$0.380	\$0.355	\$0.375	\$0.410	\$0.380	\$0.400	\$0.450
(E) Billable Load based on Variance Trend (past 5 yrs)	\$0.290	\$0.290	\$0.290	\$0.365	\$0.365	\$0.330	\$0.355	\$0.310	\$0.310
(F) NRR based on Variance Trend (past 5 yrs)	\$0.290	\$0.250	\$0.250	\$0.360	\$0.360	\$0.435	\$0.350	\$0.310	\$0.370
(G) Load and NRR based on Variance Trend	\$0.290	\$0.240	\$0.160	\$0.395	\$0.405	\$0.420	\$0.345	\$0.315	\$0.370

Highlighted changes of \$0.05 or more

SOUTHWEST POWER POOL

CURRENT AND ALTERNATIVE FUNDING METHODS

NOTE: This analysis is intended to give examples of possible funding methods to recover SPP's operating costs once the Integrated Marketplace is in full production. It does not include any alternatives for current funding of regional entity operations, contract services, FERC funding or transmission studies.

CURRENT FUNDING METHOD	FUNDING SCENARIO #1	FUNDING SCENARIO #2
<ul style="list-style-type: none"> All operating costs recovered through Schedule 1A Fee based on amount of transmission service received under SPP's tariff plus current Membership Fee 	<ul style="list-style-type: none"> Current Membership Fee Utilization of current Schedule 1A Fee for Virtual bids/offers based on number of transactions Fee for TCRs based on MWs 	<ul style="list-style-type: none"> Current Membership Fee Reliability Services Fee based on number of miles of transmission Fee for Virtual bids/offers based on number of transactions Fee for TCRs based on MWs Utilization of current Schedule 1A for remaining revenue requirement
BENEFITS OF METHODOLOGY		
<ul style="list-style-type: none"> Metrics associated with settlement calculation is easily attainable and consistent resulting in efficient recovery of SPP operating costs Allows SPP management the flexibility to organize staff for most efficient use of resources regardless of recovery method Supports regional focus of RTO members and vertically integrated membership 	<ul style="list-style-type: none"> Provides benefits of current method Provides a nominal, but not excessive, funding from the "Wall Street" firms Virtual bid offer and TCR fees have been found to prevent excessive bidding which can increase costs 	<ul style="list-style-type: none"> Non-market participants using services should provide some level of operational funding Growth in operations cost can be funded by entities using those services Possibility of providing more "apples-to-apples" comparisons with other ISO/RTOs
DRAWBACKS OF METHODOLOGY		
<ul style="list-style-type: none"> Does not allow for cost recovery from some non-market participants 	<ul style="list-style-type: none"> Number of expected virtual bids will be difficult to forecast resulting in possible shortfall or over collection of 1A fees Does not allow for cost recovery from some non-market participants 	<ul style="list-style-type: none"> Difficult to segregate costs associated with "reliability" vs. "market" operations Metrics associated with Integrated Marketplace invoicing can be inconsistent leading to over/under funding Vertically integrated membership still fund the majority of costs but with added settlement complexity



Southwest Power Pool, Inc.

CREDIT [PRACTICES](#) WORKING GROUP

Organizational Group Scope Statement

~~February 9, 2010~~ [June 15, 2011](#)

Purpose

The Credit [Practices](#) 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.

However, neither the Credit [Practices](#) Working Group nor any of its members will be privy to credit or exposure information on any specifically identified customer(s).

Representation

The Credit [Practices](#) Working Group will consist of ~~6-10~~ individuals representing members of SPP. The chair of the Credit [Practices](#) 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 [Practices](#) Working Group is a permanent working group.

Reporting

The Credit [Practices](#) Working Group will report to the SPP Finance Committee.



Southwest Power Pool, Inc.
FINANCE COMMITTEE
Recommendation to the Board of Directors
July 26, 2011

2011 Defined Benefit Pension 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
Sandra Bennett	American Electric Power
Kelly Harrison	Westar Energy

Background

The SPP Finance Committee is charged with reviewing 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 prepare actuarial valuation reports of the SPP Defined Benefit Retirement Plan and SPP Post-retirement Benefits Plan as of January 1, 2011.

Analysis

SPP Defined Benefit Retirement Plan

The report identifies 2011 accounting expense for this plan as well as minimum and maximum contributions for the plan. The Actuary determined 2011's minimum contribution level to be \$2,230¹ and maximum suggested level to be \$3,132. SPP's 2011 budget anticipated contributions to the defined benefit pension plan of \$3,300.

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Maximum Contribution (tax deductible)	\$5,257	\$3,394	\$13,100	\$7,267	\$9,214
Minimum Contribution	1,014	0	0	0	2,230
Actuary Suggested Contribution	2,093	2,377	3,121	3,173	3,132
Actual Contribution	2,500	2,500	3,000	3,122	
Projected Benefit Obligation (PBO)	\$16,424	\$17,112	\$20,064	\$23,862	
Accumulated Benefit Obligation (ABO)	12,098	12,786	15,211	18,104	
Fair Value of Plan Assets	13,045	11,023	17,822	23,536	
Discount Rate ²	7.00%	6.50%	6.50%	6.75%	6.50%
Funded Status vs. PBO	-\$3,379	-\$6,098	-\$2,242	-\$326	
Funded Status vs. ABO	947	-1,763	2,611	5,758	

¹ All dollar amounts expressed in thousands

² Based on the Corporate Bond Yield Curve prescribed by the U.S. Treasury Department and reflect the twenty four month average of investment grade corporate bonds with maturities of greater than 15 years all as defined in Section 102, Title I of the Pension Protection Act of 2006.



SPP Defined Benefit Retirement Plan Fund Status as of December 31, 2010

The fund had total assets of \$23,536 versus an Accumulated Benefit Obligation of \$18,104, Projected Benefit Obligation of \$23,862 and termination value of approximately \$19,000. The Actuary estimates participants active on January 1, 2011 will accrue \$2,400 in benefits during fiscal year 2011; including participants added during 2011, benefits accrued during 2011 are expected to total \$3,132. Finally, the value of the early retirement feature of the Defined Benefit Retirement Plan is estimated to be \$3,000.

Defined Benefit Retirement Plan Funding Alternatives

The Actuary has suggested a contribution of approximately \$3,132 in 2011. Based on this suggestion, SPP expects to fund approximately \$9,000 over the next three years. As a result of SPP's issuance of its Series 2010 notes, SPP currently has a large amount of cash on hand. The funds are to be used to finance the development of the Integrated Marketplace project as well as the construction of the new SPP Corporate Center.

Using \$9MM of the cash received from the Series 2010 notes fund the next three years' worth of funding today, rather than funding over the next three years through collections of SPP's administrative fee, the need for additional funding for capital projects would accelerate from the second quarter in 2012 to the first quarter in 2012. The projected capital cash flow below illustrates the cash flow if no changes are made to the pension funding as well as if the pension is fully funded in the second quarter of 2011:

Quarter	Beginning Cash Balance	Capital Expenditures	Ending Cash Balance	Beginning Cash Balance	Capital Expenditures	Pension Funding	Ending Balance
2 nd Qtr 2011	116,972	28,640	88,332	116,972	28,640	9,000	79,332
3 rd Qtr 2011	88,332	47,436	40,896	79,332	47,436	-	31,896
4 th Qtr 2011	40,896	18,436	22,460	31,896	18,436	-	13,460
1 st Qtr 2012	22,460	19,301	3,159	13,460	19,301	-	(5,841)
2 nd Qtr 2012	3,159	19,301	(21,060)	(5,841)	19,301	-	(30,060)

The majority of the capital expenditures reflected above are related to the Integrated Markets and Corporate Center projects, as shown below:

Quarter	Integrated Markets	Corporate Center
2 nd Qtr 2011	5,759	17,691
3 rd Qtr 2011	9,657	34,483
4 th Qtr 2011	7,387	9,613
1 st Qtr 2012	14,294	2,990
2 nd Qtr 2012	14,294	2,990

Based on the net present value of each scenario, funding the pension over the next three years will result in a more cost effective result for SPP as shown below:

	2011 Cash Flow	Current Funding Plan vs. Borrowing in Future Years ⁽¹⁾					2011 NPV of Cash Flows ⁽²⁾
		2011	2012	2013	2014-2022	Total	
Fund as Planned	3,000	3,000	3,000	3,000	-	9,000	8,715
Fund in 2011	9,000	-	-	1,288	9,846	11,134	8,841
Difference	(6,000)	3,000	3,000	1,712	(9,846)	(2,134)	(126)

⁽¹⁾ Assumes a 4.31% interest rate on \$9 million borrowing in 2013.

⁽²⁾ Assumes a 3.31% rate on 10-year Treasury yield.



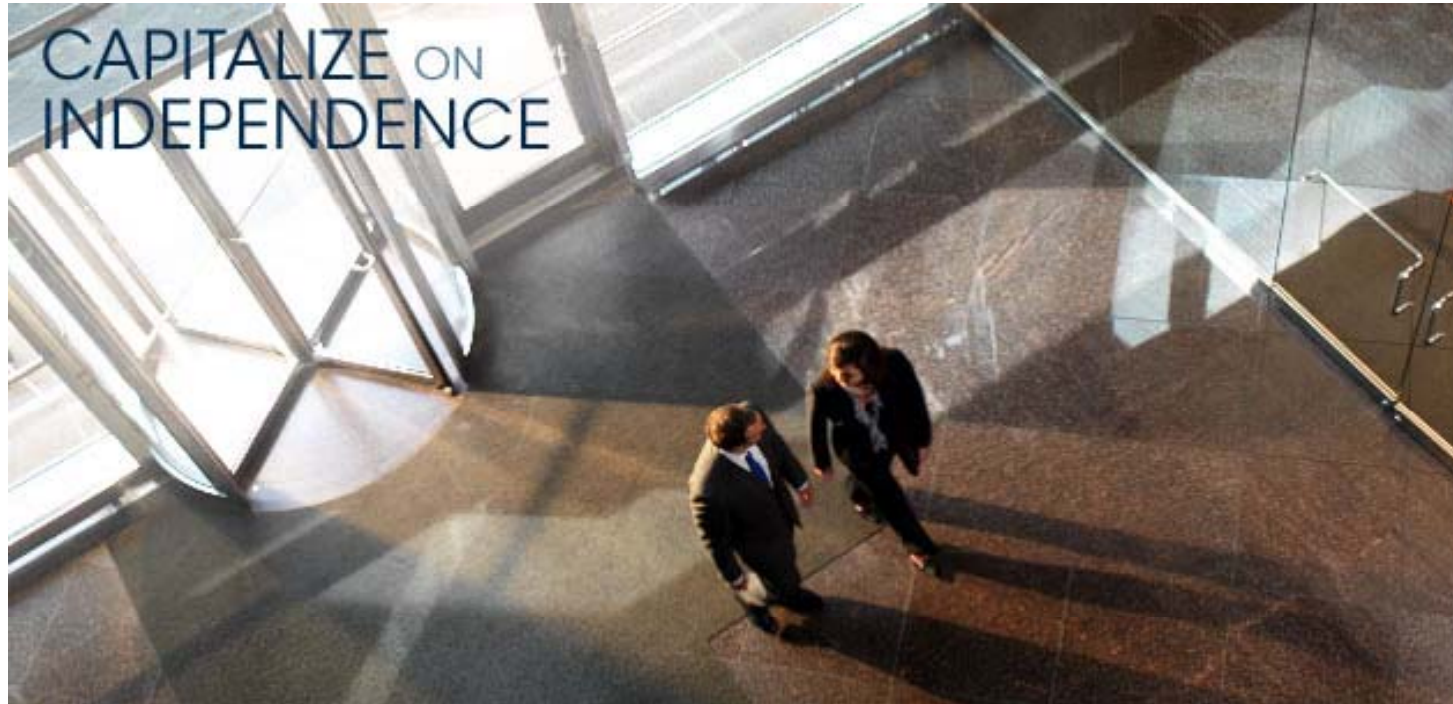
Recommendation

Approve 2011 funding of the SPP Defined Benefit Pension Plan at \$3,132.

Approved: Finance Committee

Action Requested: Approve Recommendation

2011 STEWARDSHIP REPORT



**Confidential For Internal Purposes Only
Do Not Reprint**

June 23, 2010

Stephens

Capitalize on Independence™

EXECUTIVE SUMMARY

- The U.S. Property/ Casualty performance held relatively stable in 2010, despite continuing competitive pressure, lingering economic uncertainty and growth in natural catastrophe losses.
- Industry Surplus increased by \$45.5 Billion to \$556.9 Billion



2010 Results

- ✓ *Net Investment gains grew by \$13.8B to \$52.9B*
- ✓ *Combining \$556.9B Surplus, \$557B in reserves and \$199B unearned premium reserves, industry has \$1.3 Trillion to pay claims and other contingencies*
- ✓ *Net income after taxes totaled \$34.6 billion, up from \$28.6 billion in 2009 (6.5% return on surplus-still inadequate)*
- ✓ *Net investment income was basically the same at \$47.2B*
- ✓ *The combined ratio was up slightly-102.4 %, compared to 101% (weakened underwriting results)*
- ✓ *Net written premiums were basically flat-\$422B*
- ✓ *Catastrophe losses of \$14.3B up from 11.6B in 2009.*

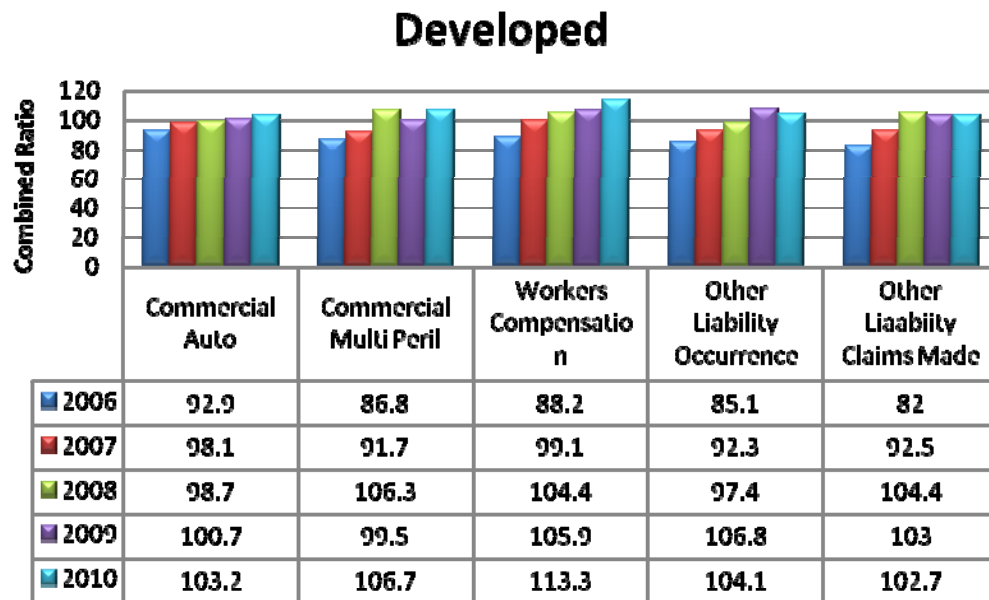
Reinsurance Market-1st Quarter 2011

- ✓ *Global Reinsurance Market profoundly affected by international disasters-\$15.7*
- ✓ *Aggregate net loss of \$3.5B for industry- earthquakes in NZ and Japan, flooding and cyclone losses for Australia*
- ✓ *Combined Ration 138% (up from 103% in previous year)-still significant uncertainty as to the ultimate loss figure*
- ✓ *Southeast and Joplin tornadoes were in 2nd Quarter*
- ✓ *At this point, Fitch states this is an “earnings event” and not a “capital event” though a significant US Windstorm season could strain the balance sheets of individual companies and push property prices higher*

INSURANCE MARKET UPDATE

BY LINE DEVELOPMENT

- General Liability - rate levels below 2000 levels – Underwriting will be based on individual risks or industries
- Workers Compensation – Underwriters are realizing the results of the prolonged soft market. Chartis for instance posted a significant increase in Workers Comp reserves in the 1st Quarter of this year (part of a \$4.1B increase). Combined Ratio 113.3%.
- Property – Limits offered are being restrained and pricing is pushing upwards especially with loss prone risk
- Directors and Officers Liability - relatively flat to slightly lower



OPERATING RESULTS FOR 2010 AND 2009 (\$MILLIONS)

	2010	2009
Net Written Premiums	\$ 422,065	\$ 418,365
Percent Change	0.90%	-3.80%
Net Earned Premiums	\$ 420,506	\$ 422,302
Percent Change	-0.40%	3.70%
Incurred Loss & Adjustment Expenses	\$ 309,109	\$ 306,286
Percent Change	0.90%	9.40%
Statutory Underwriting Gains (Losses)	\$ (8,160)	\$ (998)
Policyholders Dividends	\$ 2,270	\$ 1,984
Net underwriting Gains (Losses)	\$ (10,430)	\$ (2,981)
Pretax Operating Income	\$ 37,834	\$ 44,983
Net Investment Income Earned	\$ 47,246	\$ 47,057
Net Realized Capital Gains (Losses)	\$ 5,688	\$ (7,904)
Net Income (Loss) after Taxes	\$ 34,670	\$ 28,672
Percent Change	20.90%	842.30%
Surplus (Consolidated)	\$ 556,852	\$ 511,397
Loss & Adjustment Expense Reserves	\$ 557,710	\$ 551,272
Combined Ratio/ Post Dividends	102.4%	101.0%

BOTTOM LINE

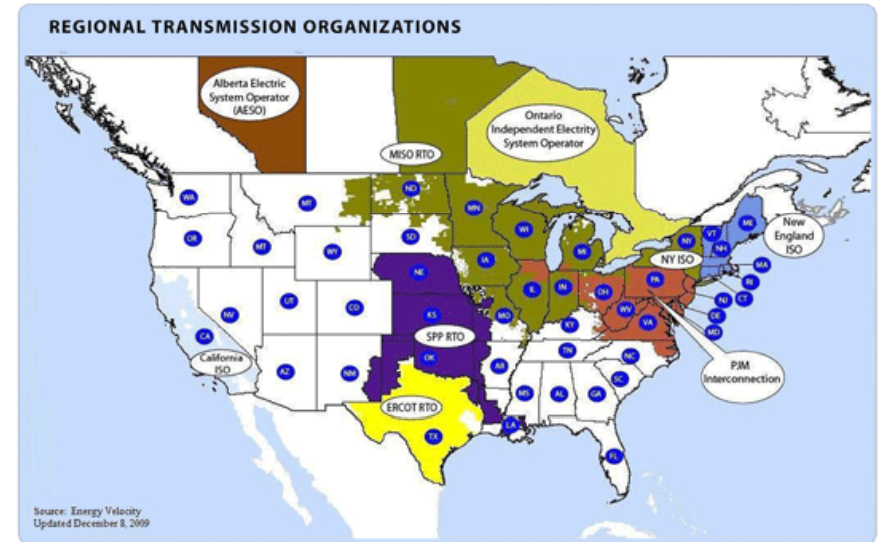
Most likely scenario for remainder of 2011 is a fragmented market whereby Casualty is relatively flat with some pricing increases for property.

2011 Outlook

- ✓ *By line summary included on previous page. Outlook is leaning towards a flattening of prices with increases for "Cat" prone risk.*
- ✓ *Capitalization remains strong though the results are being subsidized by investment results and not underwriting profit. Deterioration in capital markets could severely affect profitability and, ultimately, policyholder surplus.*
- ✓ *Pricing stable for most lines except for workers' compensation and cat-exposed property.*
- ✓ *Wild card - effect of Japanese Tohoku Earthquake on cat-exposed property and on the reinsurance market. Current Estimates \$20-\$30B in insured losses. Total catastrophe losses for 2011 to date are \$50B (including tornado and flooding events) Another wild card- US Hurricane season.*
- ✓ *Deteriorating investment results could force premium increases to attempt to return to an underwriting profit*

INSURANCE MARKET UPDATE

- AEGIS CURRENTLY INSURES
 - California Independent System Operator (CAISO)
 - Electric Reliability Council of Texas (ERCOT)
 - Southwest Power Pool (SPP)
 - PJM Interconnection
 - ISO New England
 - Western Electricity Coordinating Council
 - Midwest Independent Transmission System Operator (MISO)
 - California Power Exchange Corporation



- AEGIS CURRENT NEWS
 - Net income rose by 83% to \$145M and Surplus rose to \$1B from \$862M
 - Now have recovered over three-quarters of the surplus loss from financial meltdown of 2008
 - Core member retention remained very strong 94%
 - Approximately 60 % of total Book likely to continue to be a loss leader for the present
 - Target combined ratio for 2010 was 105% . Actual Loss Ratio 95%
 - Will be offering Continuity Credit in 2011

AM BEST RATINGS

COMPANY	AM BEST RATING	
Liberty Mutual	A	XV
AEGIS (Associated Electric & Gas)	A-	XI
Energy Insurance Mutual Limited	A	X
Travelers Casualty and Surety	A+	XV
Federal Insurance Company	A++	XV
RSUI	A	XII
ACE American Insurance Company	A+	XV
National Union Fire Insurance Co.	A	XV
Arch Insurance Company	A	XV

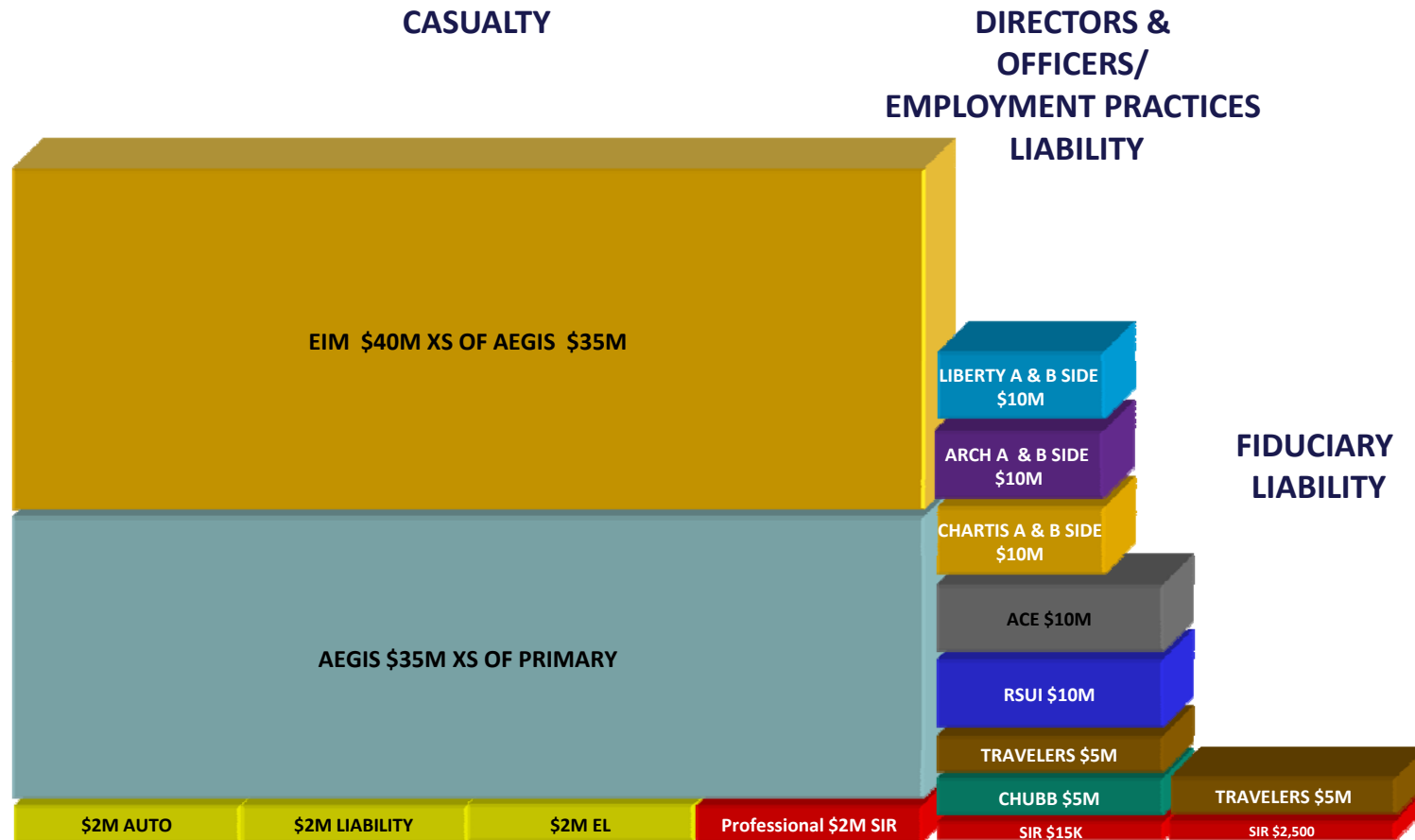
Financial Strength Ratings

Secure	Vulnerable
A++, A+ (Superior)	B, B- (Fair)
A, A- (Excellent)	C++, C+ (Marginal)
B++, B+ (Good)	C, C- (Weak)
	D (Poor)
	E (Under Regulatory Supervision)
	F (In Liquidation)
	S (Suspended)

Financial Size Category

Class	Adj. PHS (\$ Millions)	Class	Adj. PHS (\$ Millions)
I	Less than 1	IX	250 to 500
II	1 to 2	X	500 to 750
III	2 to 5	XI	750 to 1,000
IV	5 to 10	XII	1,000 to 1,250
V	10 to 25	XIII	1,250 to 1,500
VI	25 to 50	XIV	1,500 to 2,000
VII	50 to 100	XV	2,000 or greater
VIII	100 to 250		

LIMITS OF LIABILITY



COVERAGE OR PRICING ENHANCEMENTS

- **CASUALTY PROGRAM**

- Increased the underlying auto liability, employers liability and general liability limit to \$2M .
- Moved up the AEGIS \$35M Excess Liability policy and professional retention (\$2M)
- Savings approximately \$118,000
- Extended cover to 4-1-2012

- **PROPERTY PROGRAM**

- Offered Higher Non Critical Flood and Earthquake Coverage
- Increased Transit limit to \$250,000 no additional premium
- Extended cover to 4-1-2012

- **MANAGEMENT LIABILITY**

- Offered Renewal and three options for coverage
- increased overall D&O limits by \$10 million
- reduced overall D&O cost by \$10,028
- restructured D&O tower excess of \$30 million to provide “B Side” protection in addition to “A-Side” protection
- increased Fiduciary limits from \$3 million to \$5 million
- Extended cover to 4-1-2012

- **Casualty and Property**
 - **AEGIS**
 - Expect Flat Renewal Pricing
 - Modification to Designated Services Endorsement
 - **EIM**
 - Higher Limits quote
 - Extend Coverage from Calendar Year Effective Date
 - Consideration of Bermuda & London markets for competitive XS
 - **Other Market Renewal Option**
 - ACE
 - Zurich
 - Chartis
- **Other Coverage**
 - **Crime**
 - Currently No Employee Dishonesty
 - Quote offered in renewal
 - **Cyber Liability**



Memorandum

To: **Finance Committee Members**
From: **Tom Dunn**
CC: **Cheryl Robertson**
Date: **June 8, 2011**
Re: **2011/12 Meeting Schedule**

Detailed below is a schedule for face-to-face meetings of the Finance Committee for 2011/12 along with suggested agenda items to be covered at the meetings.

<u>Meeting Date</u>	<u>Time</u>	<u>Meeting Location</u>	<u>Major Agenda Items</u>
April 5, 2011	8:30	Dallas, TX	Financial audit review
June 15, 2011	8:30	Dallas, TX	Admin Fee Estimate SSAE-16 Mid-year review Insurance review Bus. Continuity Plan Disaster Recovery
Sept 29, 2011	8:30	Dallas, TX	2012 budget review Internal Audit report Auditor engagements
Oct 14, 2011	9:30	Dallas, TX	2012 budget review
Dec 12, 2011	2:00	Little Rock, AR	SSAE-16 audit
April 9, 2012	8:30	Dallas, TX	Financial audit review
July 10, 2012	8:30	Dallas, TX	SSAE-16 Mid-year review Insurance review Bus. Continuity Plan Disaster Recovery
Sept 27, 2012	8:30	Dallas, TX	2013 budget review Internal Audit report Auditor engagements
Oct 11, 2012	9:30	Dallas, TX	2013 budget review
Dec 10, 2012	2:00	Dallas, TX	SSAE-15 audit

Memorandum

To: Finance Committee
From: SPP Staff
Date: June 15, 2011
Re: Financial Covenants in SPP Credit Agreements

SPP has six credit agreements outstanding under which SPP has obtained debt financing to fund its operations as follows:

Origination Date	6/04	3/07	8/07	7/09	10/10	3/11
Maturity Date	6/11	2/27	12/14	7/16	12/42	3/24
Original Principal Balance	\$25.0MM	\$5.1MM	\$30.0MM	\$30.0MM	\$65.0MM	\$70.0MM
Current Principal Balance	\$5.0MM	\$4.3MM	\$20.0MM	\$30.0MM	\$65.0MM	\$70.0MM
Rate Structure	Fixed	Floating	Floating	Fixed	Fixed	Fixed
Effective Rate	4.78%	6.36%	5.61%	5.45%	4.82	3.55%
Collateral	Unsecured	1 st Mortgage	Unsecured	Unsecured	Unsecured	Unsecured
Lender	Prudential	U.S. Bank	U.S. Bank	U.S. Bank	Various	Various
Purpose	EIS Market	Maumelle Facility	General	General	Campus	Integrated Marketplace
Financial Covenants	Fixed Charge	Fixed Charge	Fixed Charge	Fixed Charge	None	None

The credit agreements with Prudential and U.S. Bank each require SPP to maintain a minimum Fixed Charge Coverage ratio of 1.0:1.0. The Fixed Charge Coverage ratio is designed to measure how much cushion exists between operating cash flow and the payment of certain fixed expenses.

A review of the definitions directly from the credit agreements is required to fully understand the Fixed Charge Coverage calculation.

Financial Covenant: Borrower will not permit Borrower's Fixed Charge Coverage Ratio to be less than 1.00 to 1.00 measured as of the end of Borrower's fiscal year¹.

Fixed Charges Coverage Ratio means, at any time, the ratio of (a) EBITDAR for the period of four consecutive fiscal quarters ending on, or most recently ended prior to, such time to (b) Interest Charges and rents for the period of four consecutive fiscal quarters ending on, or most recently ended prior to, such time.

EBITDAR means, with respect to any fiscal period of Borrower and any Subsidiary, consolidated net earnings (or loss), minus extraordinary gains (including, without limitation, gains on sale of assets and all non-cash gains) plus interest expense, income taxes, depreciation, amortization and rents, as determined in accordance with GAAP.

Interest Charges means, with respect to any period, the sum (without duplication) of all interest in respect of Debt of Borrower and its Subsidiaries (including imputed interest on Capital Lease Obligations) and other sums that would be considered interest in accordance with GAAP (in each case, eliminating all offsetting debits and credits between Borrower and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of Borrower and its Subsidiaries in accordance with GAAP).

The covenant was designed to provide lenders with some comfort that should SPP's operations deteriorate significantly during the term of a loan, there was some trigger that allowed the lender to renegotiate the terms. Clearly the definition of the Fixed Charges Ratio calculation illustrates the covenant was not designed to be very restrictive on SPP. SPP has been subject to a Fixed Charge Ratio covenant since March 2001; during which SPP has been in compliance at 39 of the 40 reporting periods, and generally by a ratio greater than 3:1. SPP failed its compliance test in the third quarter of 2009 primarily as a result of recognizing some significant accruals in the fourth quarter of 2008 and recognizing approximately \$1.7MM in additional accruals for FERC fees in the third quarter of 2009. This non-compliance event raised awareness for both SPP and its lenders that given certain circumstances, SPP could fail the covenant test without deterioration in its financial strength and/or credit worthiness. In other words, both SPP and its lenders realized the

¹ The credit agreement with Prudential expiring June 25, 2011 requires this measure more frequently than at end of each fiscal year.

covenant does not provide the lenders with the intended early warning of changes in SPP's ability to meet its obligations under the credit agreement and notes.

SPP has held numerous negotiations with U.S. Bank to replace or remove the existing financial covenant from the credit agreements². U.S. Bank has indicated a willingness to replace the Fixed Charge Ratio covenant with a covenant tied to credit ratings; see below:

If SPP's Senior Unsecured bond rating is downgraded below investment grade, or if an aggregate of 15% of the investment grade 2.5% plus members bond rating falls below investment grade (at any time) or have no rating, or any three "load bearing" members bond level falls below investment grade level or have no rating (at any time), then a default shall occur. The acceptable entities for credit ratings are S&P, Moody's and Fitch.

SPP has rejected this replacement covenant for two reasons. First, SPP has several "load bearing" members who do not have a rating, which means SPP could be in a position of perpetual default. Second, since SPP has no influence over the credit ratings of its membership, compliance with this covenant would largely be outside of SPP's control.

SPP believes the U.S. Bank credit agreement, without the Fixed Charge Ratio covenant, provides the bank with adequate protection to ensure repayment of the notes. SPP's position has focused on three areas:

1. Monies to retire SPP's debt obligations are allowed recovery under a federally approved tariff. In other words, these monies are fair and reasonable costs to be collected from the customers of SPP. The tariff allows for 100% recovery of these costs.
2. SPP operates in a virtually monopolistic environment, where it is the only seller of wholesale transmission service in its region and its customers need wholesale transmission service.
3. SPP's membership agreement and bylaws require withdrawing members to pay their pro rata share of the future value of SPP's long-term obligations upon withdrawing from SPP. The credit agreement requires SPP to retire its outstanding debt on a pro rata basis upon a certain percentage of membership withdrawals.

These points highlight the exact reasons why lenders agree to make loans to SPP and also detail remedies, already in the credit agreements, that reduce a lender's exposure to SPP should SPP's circumstances change.

SPP was able to use these exact positions to negotiate \$135MM in new senior notes in late 2010 and early 2011 whose note agreements do not contain the a fixed charge covenant, but do contain a "most favored lender" clause which allow the note holders the advantage of covenants SPP has granted to other lenders.

SPP has the option of refinancing the U.S. Bank notes with other lenders who would not require maintenance of the Fixed Charge Ratio covenant. Prior to doing so SPP would need to request permission from FERC for the issuance of the new debt securities and perform a marketing of the securities to ensure SPP receives the most favorable terms and pricing. Additionally, the U.S. Bank notes contain provisions to make the lender whole in upon early termination of the agreements. As of May 31, 2011 the make whole provisions total \$5.6MM on the \$54.3MM in term debt outstanding with U.S. Bank.

² SPP's credit agreements with Prudential also contain the Fixed Charge Ratio covenant. SPP has not negotiated with Prudential to remove or replace this covenant because the notes with Prudential will fully retire in June 2011.



Quarterly Status Report: Improving SPP Business Process Effectiveness and Efficiency

June 15, 2011

Business Process Improvement



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SPP Business Process Improvement (BPI) Strategy -- Background

At the December 6, 2010 Finance Committee meeting, Scott Noble (Manager, Business Process Improvement) presented a PowerPoint presentation titled, “Improving SPP Business Process Effectiveness and Efficiency” to the Finance Committee. The purpose of the presentation was to lay out a vision of SPP’s overall Business Process Improvement (BPI) Objectives and a multi-year Implementation Strategy for helping SPP become a more efficient and a more effective organization. The BPI Plan contained seven recommendations and a preliminary time line for their implementation.

Longer Term Objectives – The long term Business Process Improvement (BPI) strategy is based upon SPP embracing a culture of process improvement that is supported by management processes, support systems, and the adoption of a process improvement analytical framework. The strategic organizational transformation envisioned is a multi-year program that will combine the following elements: 1) Definition of a specific methodology, 2) Design and integration of BPI management processes into SPP management processes, 3) Development of an education and training approach for SPP Executive and Management Staff and for employees, 4) Pilot implementation programs, and 5) Ongoing coaching, reinforcement and tracking support programs.

Near Term Action Items (2011) – The BPI Implementation strategy realizes that there are significant opportunities for process improvement that should be addressed on an opportunistic basis while the longer term systemic cultural and educational transformation is being developed and implemented.

SPP Business Process Improvement (BPI) Implementation Strategy

The following slide from the December 6 presentation outlined the SPP Business Process Improvement Objectives:

SPP BPI Implementation Strategy

Longer Term Objectives

1. Identify a clear vision of the ideal BPI Target Environment – methodology, support systems, education & sponsorship.
2. Pursue implementation of the BPI Target Environment over time.

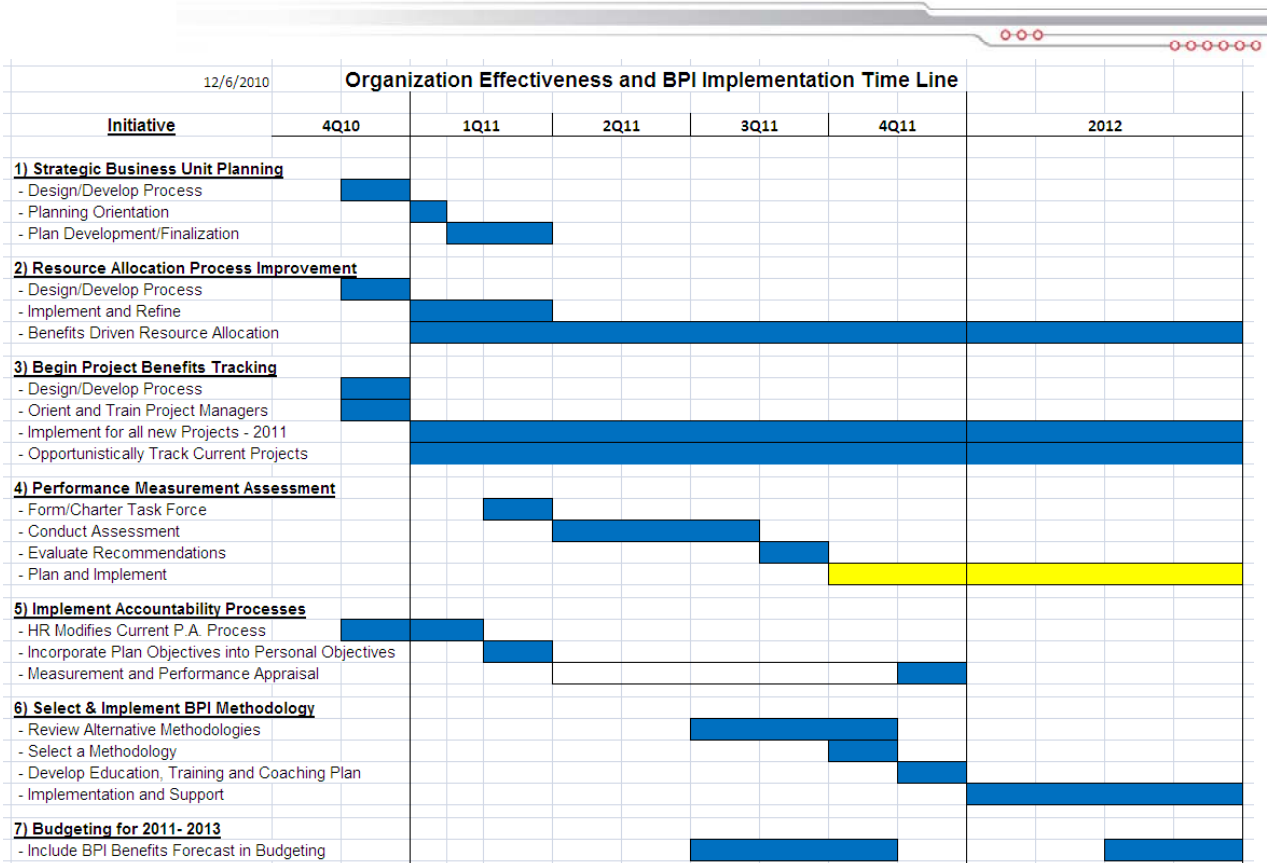
Near Term Actions – 2010 and 2011

3. Implement processes to identify, quantify, size and prioritize improvement initiatives systematically.
4. Opportunistically track BPI initiative benefits realization – Start Jan. 2011.
5. Develop visibility into the SPP BPI initiative portfolio to incorporate planned benefits into budgeting for 2012-2014.

BPI Implementation Plan Recommendations (from December 6, 2010 Plan)

- 1. Implement a Business Unit Strategic Business Planning Process – 1Q11**
- 2. Implement an Improved Development Project Resource Allocation Process – 1Q11**
- 3. Track Benefits Realized from Development and BPI Projects – 1Q11**
- 4. Conduct a Performance Measurement Assessment – 3Q11**
- 5. Implement Improved Performance Accountability Processes – 1Q/2Q11**
- 6. Research, Select, Develop, Implement and Support a Structured BPI Approach**
 - a. Research, Selection and Design – 3Q/4Q11**
 - b. Pilot Program – 1Q12**
 - c. Implementation and Ongoing Support – 2012**
- 7. Budgeting for Business Process Improvement (2012-2014 Budget) – 3Q/4Q11**

This implementation plan was graphically depicted in the December 6, 2011 presentation as follows:



BPI Implementation Plan Status Report

Executive Summary

BPI Initiative	Status	Description
1) Business Unit Strategic Planning	Completed	SPP Business Units developed Strategic Plans to support the SPP Corporate Plan (Mission, Strategy, Objectives and Initiatives with Accountabilities and Resources Required). These plans provide prioritization and insight to be used in 2012-2014 budgeting. Plans completed 4-15-2011.
2) Improved Resource Prioritization Process	Completed	A comprehensive Pre-Ranking assessment of: a) total project scope and costs, b) projected project benefits, and c) a calculation of Internal Rate of Return (IRR), was implemented on March 1, 2011. This process will provide significantly better resource planning and benefits tracking information.
3) Benefits Tracking	Caution	Focus on other initiatives and resource limitations have precluded work on this initiative. Plan is to leverage work on BPI Initiative #2(above) and identify/track benefits being realized through implementation of projects. This will support the budgeting initiative (#7) below.
4) Performance Measurement Assessment	Not Started (per plan)	Adjusted plan: Activity not scheduled to begin until 3Q11. Recommendations from the Assessment Team expected to be delivered in 4Q11.
5) Implement Accountability Processes	Completed	The newly implemented SPP Performance Appraisal process will identify performance objectives for employees, consistent with Business Unit Strategic Plans.
6) BPI Methodology Development, Design And Implementation	Not Started (per plan)	Research, Selection and Design scheduled to begin in 3Q11 with pilot implementation scheduled for 2012.
7) Budgeting Projected Benefits in 2012-2014 Budget	On Target	SPP Business Units will identify “process improvement initiatives” to include in their submitted 2012 – 2014 budget. The budget will reflect expected expense levels. Improvement programs will be identified and tracked “off budget”. Completed in 3Q/4Q11.

Status Legend



On Target – Progress on this initiative is as planned.



Caution – Some elements are behind schedule – additional focus can get initiative back on track.



In Jeopardy – This initiative is behind schedule. Corrective actions needed.

Appendix A -- Implementation Plan – Supplemental Information

1. Implement a Business Unit Strategic Business Planning Process – 1Q11

Prior to the implementation of the Business Unit (BU) Strategic Planning process, SPP had a corporate level Strategic Plan. No real process existed to “connect the dots” for breaking broad strategic priorities into more granular implementation plans. A Business Unit generally reflects an SPP Organization that is lead by one of the SPP Officers. The BU Strategic Plans identify a BU Mission Statement (how that BU supports the corporate strategic plan), SMART Business Objectives over the next three years (Specific, Measureable, Accountable, Reasonable and Time-Bound), and Strategic Initiatives with an estimate of the costs and benefits of contemplated new initiatives.

The BU Strategic Planning process provides the following value to SPP:

- Involves the SPP staff strategically in developing plans to support the overall SPP Strategic Plan.
- Focuses SPP staff on “where they are going” beyond tactical operations.
- Provides a delegation of responsibility and accountability for the implementation of initiatives important to the corporation. (This organizational accountability provides a framework for individual employee performance objectives and measurement through the new Performance Review process.)
- Helps align SPP organizations on common initiatives where collaboration of effort is required for success.
- Provides a level of business focus and a prioritization framework for use in resource allocation and prioritization decisions (PRPC Committee).
- Provides a prioritization framework to guide subsequent budgeting priorities.
- Provides a mechanism to communicate to staff the overall plan for their Business Unit and how their work fits into the broader SPP picture and direction.

Eight Business Unit have completed their Strategic Plans in support of the SPP Strategic Plan.

- Operations
- Engineering
- Information Technology
- Regulatory and Legal
- Compliance Organization (Market Monitoring, Compliance Group, Internal Audit, and Communications)
- Market Development
- Finance
- Process Integrity

The Business Process Improvement Department developed the process, created instructions and a template for creating the Plans, facilitated a kickoff and preliminary review session, and provided assistance to the Business Units as needed. We will continually improve the BU Strategic Planning process and will update plans on an annual basis.

This initiative has been completed for 2011 and will help drive 2012-2014 budgeting.

2. Implement an Improved Development Project Resource Allocation Process – 1Q11

Prior to this process improvement initiative, requests for development project resources were submitted to the Project Request and Prioritization Committee (PRPC) for review and prioritization. Requests were prioritized based on a high level description of the project and whether external capital expenditures had been budgeted for each project. Specific information required to make the best possible resource allocation decisions was not available (e.g. the high level scope of the project had not been defined, the number and type of internal resources required to support the project were not defined, and there was no real quantification of the business benefits to be realized by the project.) Given the lack of specificity of information available, it was not possible to answer the following key questions: 1) What is the expected total cost of this project? 2) What are the qualitative and quantitative benefits to be realized from this project? 3) Do we have the resources on staff to support all of the approved projects?

On March 1, we implemented an improved Pre-Ranking analysis process. The PMO and IT will conduct a high level assessment of scope, resources required and total project cost. BPI will work with the Business Owners to identify the benefits associated with the requested project and will calculate an Internal Rate of Return (IRR) and use this in the prioritization process. We will plan to use this process for conducting a review of Projects to be included in the 2012-2014 budget.

The benefits to SPP from this improved business process include the following:

- Provides the granularity of information required to make better resource allocation decisions.
- By inspecting closely the expected business benefits of projects, marginal projects do not get brought forward for approval.
- The more granular scoping and resources required estimates will help with planning and budgeting the number of SPP project related resources required over the budgeting horizon. (A Strategic Initiative for enhancing our “resource capacity and tracking” capability has been included in the Process Integrity BU Strategic Plan.)
- The benefits assessment process will identify projects having the potential to create member value. These projected benefits will be used for budgeting “BPI Benefits”. Furthermore, these projects will be flagged and the benchmarking metrics for measuring productivity improvement, cost avoidance or cost reduction will be developed as part of the implementation project. This process will feed into the BPI Benefits Realized tracking and reporting.

The new and improved process has been implemented. We will use this review process for analyzing requested projects for inclusion in the 2012-2014 Budget. We will continue to refine and build upon this new process.

3. Track Benefits Realized from Development and BPI Projects – 1Q11

The initial plan was to begin to develop a specific “benefits tracking” report in the first Quarter. Work on this effort has taken a back seat to BPI Initiatives #1 and #2(above) and other BPI priorities. It is expected that the work product (deliverables) from BPI Initiative #2 (above) will help minimize the work required for Benefits Tracking over time.

The status of this is Yellow (Caution) because it is behind schedule but should be back on track before budgets are submitted in late July.

4. Conduct a Performance Measurement Assessment – 3Q11

Measuring performance and productivity improvement is very difficult for an organization to accomplish without the proper baseline or benchmark performance metrics identified for the various work groups in the organization. This study is intended to be an initial assessment of the performance measurement metrics and the measurement systems that are in place today to support performance improvement. There are three parts of this initiative: 1) Conduct the assessment of where we are today, 2) Develop alternatives and recommendations for what is needed to support performance measurement, and 3) Develop an implementation plan for implementation (schedule to be determined based on the recommendations).

As part of the BU Strategic planning, this initiative has been rescheduled to begin in the 3rd Quarter this year with initial recommendations to be completed by the end of the 4th Quarter. Based on this revised plan, this initiative has not been started yet. There are some concerns that this type of project will require key human resources from each functional area of SPP to help assess the proper performance measurement metrics. Based on the level of forecasted activity associated with the Integrated Marketplace, the Building Migration and other support projects, we may have difficulties assembling the quality of team needed for this initiative.

5. Implement Improved Performance Accountability Processes – 1Q/2Q11

This was a very small, focused, but important initiative. It is important to have the organization’s Business Planning processes and priorities linked to its Performance Measurement systems. The specific objective was to make sure that both the new Performance Appraisal process and the BU Strategic Planning process were in alignment and supportive of each other. These two process designs are aligned (which was the initial objective). It will be important to follow up and incorporate as much of the specific Business Objective focus into Manager and above Performance Objective plans. Scott Noble will continue to coordinate with Brian Smith in Human Resources to achieve maximum alignment. The new SPP Performance Appraisal process has been implemented.

6. Research, Select, Develop, Implement and Support a Structured BPI Approach

- a. Research, Selection and Design – 3Q/4Q11**
- b. Pilot Program – 1Q12**
- c. Implementation and Ongoing Support – 2012**

For SPP to truly embrace Business Process Improvement, a significant organizational transformation is required. A structured Business Process Improvement methodology needs to be adopted and the employees of the organization need to be trained and coached in the implementation of this methodology. Furthermore, SPP management process and systems must be adapted to creating and empowering either Enterprise-wide or Business Unit specific “Process Improvement Teams”. Structured Business Process improvement programs that have been implemented by other organizations include: Total Quality Improvement (TQI), Total Quality Measurement (TQM), Business Process Reengineering (BPR), Six Sigma and various forms of Performance Measurement Processes.

Each of these programs, when approached from an Enterprise-wide, program perspective take business process improvement from an abstract concept to a way of empowering the employee base to rethink and redesign how work gets done in the organization. It is important for cross-functional teams to be able to come together with a common approach to work redesign and value creation. Furthermore, it is important to:

- Identify (or customize) the BPI program that fits the organization’s culture,
- Provide education and training programs to give employees the skills and context to use those skills,
- Provide the management processes required to charter and empower Process Improvement Teams that have the time and resources required to be successful, and
- Provide the coaching, support and results tracking that will maximize results.

The time line for successfully implementing an overall structured and integrated approach for Business Process Improvement has the following time line

- Phase 1: Establish a set of objectives and criteria for selection of a BPI structured methodology for SPP. Review the available structured BPI programs available on the market today. Develop an assessment of the strengths and weaknesses of each of them as they relate to SPP these program objectives and SPP culture. Work with the Human Resources training department to determine an education and training plan for the selected approach. Complete this by the end of 2011.
- Phase 2: Build or buy the BPI methodology and training required to support the implementation process. Develop an initial pilot program and conduct the initial training. Design and implement the appropriate management processes required to integrate BPI into the SPP management structure. Phase 2 will be completed by the end of 2012.
- Phase 3: Train SPP employees and implement Process Improvement Teams. Provide coaching, reinforcement and facilitation services to assure program adoption and success. Incorporate benefits results tracking (see BPI Initiative #3 above) into all Process Improvement Team charters. Based on SPP-wide priorities, the roll out of this organizational transformation should occur in 2013.

7. Budgeting for Business Process Improvement (2012-2014 Budget) – 3Q/4Q11

This initiative will leverage work done on BPI Initiatives #1, 2 and 3 above. SPP Business Units will identify “process improvement initiatives” to include in their submitted 2012 – 2014 budget. The budget will reflect expected actual expenses. The cost reduction, productivity improvement and/or cost avoidance (benefits) from the business process improvement programs will be quantified and reported “off budget”. BPI will develop a quarterly report that will track actually realized improvement benefits compared to the forecasted benefits.

Appendix B – Acronym Definitions

BPI – Business Process Improvement

BPR – Business Process Reengineering

BU – Business Unit (generally an SPP functional organization headed by an Officer)

IRR – Internal Rate of Return (calculation to measure relative Return on Investment rate for competing projects)

P.A. Process – Used on chart, page 3 – Performance Appraisal Process

PRPC – Project Review and Prioritization Committee

SMART Objectives – Business Objectives stated that are **S**pecific, **M**easurable, **A**chievable (or **A**ccountable or **A**ttainable), **R**ealistic, and **T**ime-Bound

SPP – Southwest Power Pool

TQI – Total Quality Improvement

TQM – Total Quality Management

Memorandum

To: SPP Finance Committee
From: Dianne Branch
CC:
Date: June 15, 2011
Re: 2010 Financial Audit Deficiencies

Control Deficiency

As stated in the management letter -

The accounting system allows for unaccounted breaks in the sequencing of the journal entries. These breaks should be minimized to ensure the integrity of the data supporting the financial statements.

SPP Response -

The auditors noted several instances of sequence breaks with the journal entries; however, the journal entries presented to the auditors for review represented 100% of the 2010 financial statement balances subject to audit. This issue has been discussed at length with SPP's accounting system vendor and there is currently no modification that could be made to the system to correct for this system flaw.

Small gaps most often occur when multiple users of the system are simultaneously entering journal entries and the user assigned with the lowest journal entry number deletes the entry prior to completing it and submitting it for posting. The system does not attempt to go back and reuse the journal entry number assigned to the first user, resulting in a permanent gap in the journal entry number sequencing. While not ideal, this situation appears to be more understandable and a natural occurrence of the journal entry process in a multi user environment.

Large gaps most often occur during large data imports into the accounting system when the import is not completed and/or posted to the general ledger. When the import is attempted, the system automatically blocks off a range of journal entry numbers. If the import is not completed and/or posted, that block of journal entries is forever lost, creating a large gap in the journal entry number sequencing.

Despite the less than ideal situation the accounting system creates for the above described situations, given there has been no findings of actual missing entries or unsubstantiated balances in the financial statements, SPP is comfortable with the level of risk related to this finding.

Other Matters Noted in Management Letter

As stated in the management letter –

It is our understanding that management initiated a project in the current year to determine and designate inactive vendors as such in the master vendor file. Our current year procedures determined there are still some multiple vendors, specifically multiple vendors with the same address. We encourage management to continue assessing the status of multiple and inactive vendors on the master listing.

SPP Response –

During the upcoming annual review of the vendor files, SPP will refine its criteria to more effectively query the system to remove inactive vendors from active vendor records. The 2010 review was the first of its kind since conversion to the system in 2006 and was a significant undertaking. Current year procedures should allow for a more focused review, targeting on some of the lingering items identified during the audit.



As stated in the management letter –

We also noted that travel expenses are paid through the vendor system. This increases the risk of an employee remaining in the system as an active vendor upon termination. We recommend that management consider whether travel expenses should be paid through the payroll system and if not, implement a procedure to change an employee vendor status upon termination.

SPP Response –

Subsequent to the performance of the 2010 audit, SPP amended the employee termination process to include a notice to SPP's purchasing dept. The purchasing dept. removes the employee from the active vendor list on the date of termination. On a quarterly basis, reports are requested from Human Resources that summarize all terminations in the last quarter. This report serves as an additional check to ensure all terminated employees have been removed from the active vendor listing during the preceding quarter.

Memorandum

To: SPP Finance Committee
From: Dianne Branch
CC:
Date: June 15, 2011
Re: Accounting software assessment

Objective

Assess the viability of SPP's current accounting platform to function appropriately upon implementation of the SPP Integrated Marketplace. Ensure Integrated Marketplace is able to integrate with the existing accounting platform.

Assessment

Accounting has collaborated with Settlements personnel and market design consultants in mapping processes and developing data requirements necessary to ensure the financial data from the Integrated Marketplace markets can be transferred to the current accounting platform. This has primarily involved ensuring that data is prepared in a format importable into the existing accounting system. Through the analysis performed to date, there appears to be no anticipated problems in getting the data into the desired format. Unlike the existing EIS market, invoicing for the Integrated Marketplace will be performed by the Settlements department. Accounting merely needs summary data by participant to ensure amounts can be accurately recorded.

It is anticipated there will be a significant increase in the number of active participants upon implementation of the Integrated Marketplace. Adding the incremental participants will not be an issue for the current system. Other changes required include expanding the chart of accounts to include virtual bid fees, auction revenue funds, and excess congestion rights. There will be no issue with the system's ability to handle a couple more general ledger accounts to accommodate this activity.

Conclusion

It is our belief that the current accounting system will be able to handle the 1) additional market participants, 2) the additional general ledger accounts required to facilitate the new market functionality, and 3) file formats necessary for importing financial data. Accounting personnel will continue to be involved in the design, build, and testing activities to ensure the accounting system is ready to accommodate the Integrated Marketplace.

Executive Summary

Program Name: New Facilities Program
Program Number: PG20090005
Date: 3 Jun 2011

Current Status: Schedule and Activity

Site and General Information

1. The overall project and all structure delivery dates remain on schedule.

Operations/Data Center

1. Substantial progress has been made on the mechanical, electrical and plumbing installations.
2. Sheetrock work in the Coordination and Data Centers is nearing completion and is underway in other areas within the building.
3. Installation of the mechanical infrastructure (chilled water) and power infrastructure (generator, switchgear, UPS) is underway.
4. Exterior finish work will begin over the next two weeks.

Parking Deck

1. Construction of the structural precast is complete and floor slabs are being poured.

Office Building

1. Steel erection is about 60% complete with work on third, fourth and fifth (penthouse) floors continuing through the end of June.
2. A substantial portion of 2nd floor deck has been poured. Floor decking on third floor is underway.

Migration Projects

1. Substantial progress has been made over the past two weeks with high-level plans now in place for all aspects of the migration. Summaries of these plans are as follows:
 - a) A/V – Contractor installations and definition of ongoing support processes;
 - b) Security – Contractor installations and definition of ongoing support processes;
 - c) Network – Contractor installations for cabling and internal resources completing the initial build-out;
 - d) Data Center – A three-phased migration involving an initial infrastructure build-out (with contract resource involvement), a pre-migration build of essential systems; and a physical move of other IT systems;
 - e) Desktop and Office – A flash migration with contract resources executing the physical moves; and
 - f) Operations – A staged migration of Operations functions including self-certification of the facility.
2. A large-scale, full-day planning session involving the entire Migration Project Team is scheduled for Thursday, June 9 to review all plans compiled by sub-teams.
3. Proposed budget estimates for the different components of the migration continue to be refined. Upon completion of that process a Budget Tracking Report, separate but similar to Construction (below), will be added to this report.
4. Bid review and contractor selection is underway for A/V, security, data center infrastructure installs, and all structured cabling.

Schedule and Budget Tracking Reports

Schedule tracking information for both projects is provided in the two supplementary charts. Budget information for the Construction project is provided below:

Budget Analysis of the Facilities Construction Project

As of 3 June 2011

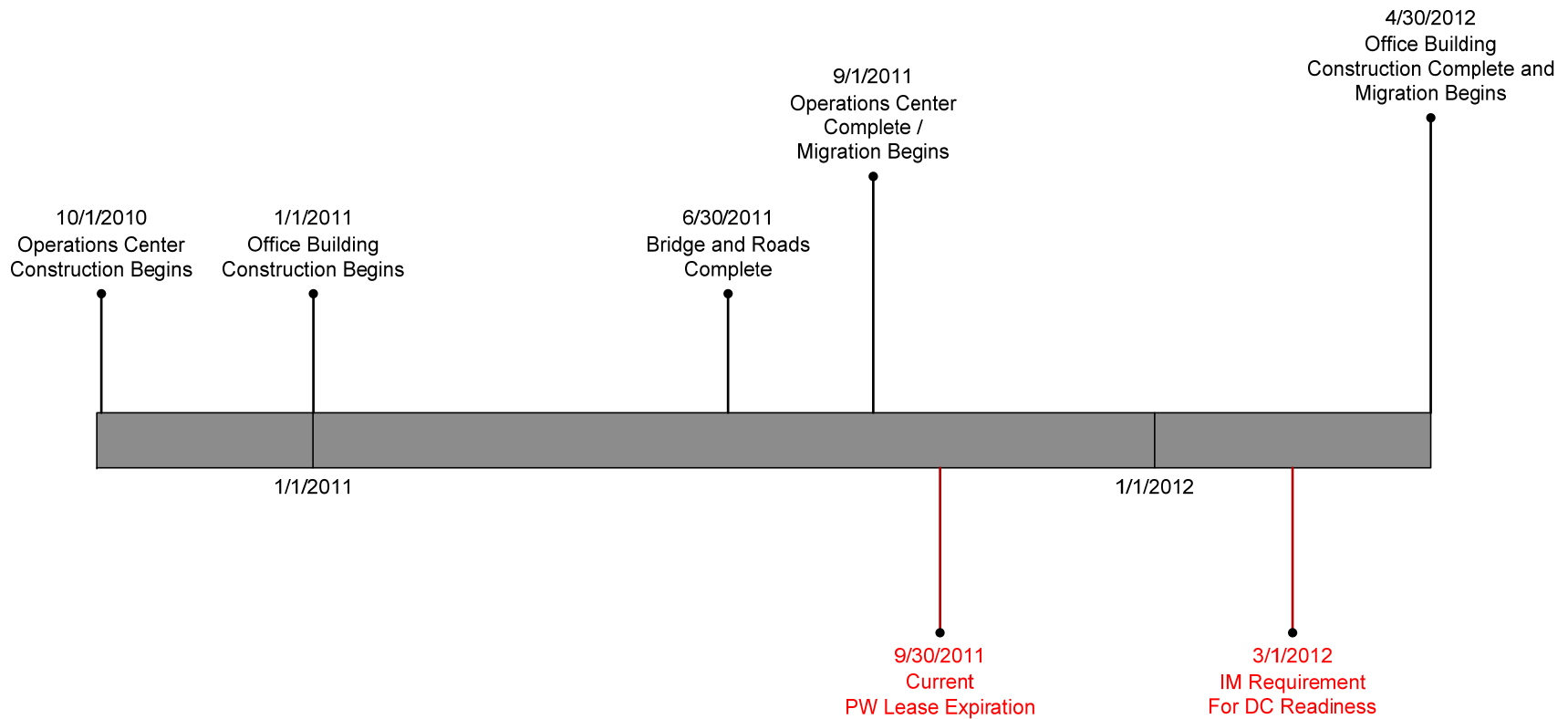
Budget Item	Budgets		Actual Expenditures	% of Completion		Realized Budget Variance	Estimate to Completion
	SPP Approved	Project		Contractor ¹	Actual		
Land	\$ 4,573,800	\$ 4,573,800	\$ 4,565,936	100.0%	100.0%	\$ (7,864)	\$ -
Ops/Data Center	\$ 25,541,000	\$ 24,895,868	\$ 6,861,615	26.5%	27.6%	\$ -	\$ 18,034,253
Construction	\$ 23,829,000	\$ 23,183,868	\$ 5,562,930	23.0%	24.0%	\$ -	\$ 17,620,938
Professional Fees	\$ 1,712,000	\$ 1,712,000	\$ 1,298,685	74.0%	75.9%	\$ -	\$ 413,315
Office Building	\$ 32,081,090	\$ 32,289,632	\$ 8,732,965	26.0%	27.0%	\$ -	\$ 23,556,666
Construction	\$ 29,298,200	\$ 29,506,742	\$ 7,080,093	23.0%	24.0%	\$ -	\$ 22,426,649
Professional Fees	\$ 2,782,890	\$ 2,782,890	\$ 1,652,872	58.0%	59.4%	\$ -	\$ 1,130,018
Totals	\$ 62,195,890	\$ 61,759,300	\$ 20,160,517	31.7%	32.6%	\$ (7,864)	\$ 41,590,919

¹ Estimates of projected work activity provided by Nabholz Construction Services.

NEW FACILITIES PROGRAM

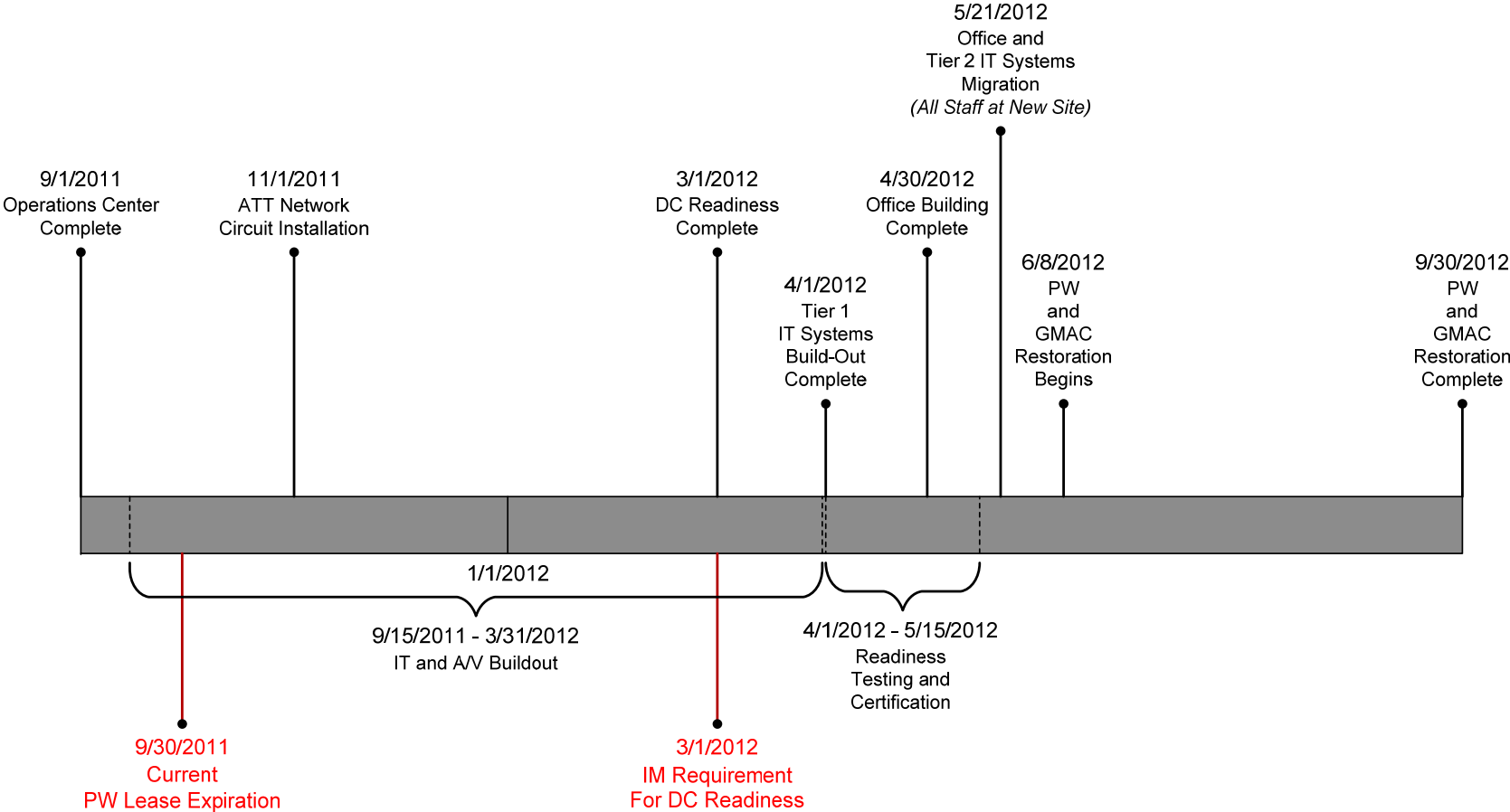
Construction Project Schedule Tracking

High-Level Schedule Milestones as of June 3, 2011



NEW FACILITIES PROGRAM Migration Project Schedule Tracking

High-Level Schedule Milestones as of June 3, 2011



Memorandum

To: SPP Officers / Directors / Managers
From: Sheri Parish / Cindy Goodwin
Date: May 16, 2011
RE: April 2011 Financials

Attached are your April 2011 monthly financial reports.

- 1). **Financial Commentary:** Forecast to Budget Variances
- 2). **Financial Forecast Overview:** Full Year Forecast by Month vs. Budget vs. Prior Year
- 3). **Income Statement Actual Results Overview:** Current Month Actuals vs. Forecast, YTD Actual vs Budget, YTD Actual vs. Prior Year
- 4). **Balance Sheet:** Current Month vs. Ending Prior Year
- 5). **Capital Projects Summary:** YTD Actuals vs. Budget and Full Year Forecast vs. Budget
- 6). **Headcount Analysis:** Current Forecasted Headcount Compared to Budget by Department
- 7). **Job Tracker:** List of Current Open Positions as Tracked by Human Resources



2011 Financial Commentary
As of April 2011
(in thousands)

Summary				
	2011 FY Forecast	2011 FY Budget	Fav/(Unfav) Variance	
Revenues	\$128,799	\$129,399	(\$600)	(0.5%)
Expenses	133,975	138,654	4,679	3.4%
Net Loss	<u>(\$5,175)</u>	<u>(\$9,255)</u>	<u>\$4,080</u>	44.1%

Revenue				
	2011 FY Forecast	2011 FY Budget	Fav/(Unfav) Variance	
Tariff Administration Service	\$71,377	\$72,030	(\$653)	(0.9%)
Fees & Assessments	24,698	24,264	434	1.8%
Contract Services & Misc Income	32,724	33,105	(381)	(1.2%)
Total Revenue	<u>\$128,799</u>	<u>\$129,399</u>	<u>(\$600)</u>	(0.5%)

Tariff Administration Service revenues are unfavorable to budget primarily due to lower than anticipated network load (approximately 2% below budgeted level). Point to point administrative service revenues are exceeding budget due to significantly colder weather in the region during the Winter season and have offset approximately 50% of the network service administrative revenues.

Fees & Assessments revenues are favorable to budget primarily due to higher than anticipated FERC Fee collections. This favorable variance is partially offset by an unfavorable variance in RE revenues.

Contract Services revenues are unfavorable to budget due to lower than anticipated need for pass-thru regulatory legal and consulting support in both the ICT and ITO.

Expense				
	2011 FY Forecast	2011 FY Budget	Fav/(Unfav) Variance	
Salary & Benefits	\$64,542	\$65,168	\$626	(1.0%)
Assessments & Fees	14,119	14,119	(0)	(0.0%)
Communications & Maintenance	10,629	11,331	702	6.2%
Outside Services	14,398	17,500	3,102	17.7%
Depreciation & Amortization	16,355	15,853	(501)	(3.2%)
Other Expenses	13,932	14,683	751	5.1%
Total Expense	<u>\$133,975</u>	<u>\$138,654</u>	<u>\$4,679</u>	3.4%

Communications and maintenance is favorable to budget due to a decision to pursue an equipment purchase in lieu of renewing maintenance on older existing equipment.

The outside services variance is primarily due to the lowering of the Regulatory department's forecast to reflect the current anticipated spend for outside regulatory support. Additionally, regulatory legal support for the ICT and ITO has been lower than anticipated thru the first four months of the year. Revenue for this pass-thru expense is lower as well (as noted above).

The other expenses variance is primarily due to interest rate swap valuation adjustments which are not assumed in the budget due to their potential variability.



Southwest Power Pool
Forecast Overview
As of April 2011
CONSOLIDATED TOTAL
(in thousands)

	Actual Jan-11	Actual Feb-11	Actual Mar-11	Actual Apr-11	Fcst May-11	Fcst Jun-11	Fcst Jul-11	Fcst Aug-11	Fcst Sep-11	Fcst Oct-11	Fcst Nov-11	Fcst Dec-11	FY 2011 Forecast	FY 2011 Budget	Variance Fav/(Unfav)	FY 2010 Actuals	Variance Fav/(Unfav)
Income																	
Tariff Administration Service	\$6,139	\$5,450	\$6,033	\$5,871	\$6,049	\$5,877	\$6,049	\$6,050	\$5,877	\$6,049	\$5,884	\$6,049	\$71,377	\$72,030	(\$653)	\$64,277	\$7,100
Fees & Assessments	2,460	1,863	1,729	1,755	2,106	2,116	2,106	2,116	2,116	2,106	2,116	2,106	24,698	24,264	434	22,285	2,413
Contract Services Revenue	2,325	1,991	2,285	2,232	2,338	2,342	2,332	2,332	2,342	2,336	2,334	2,342	27,530	28,031	(501)	23,252	4,278
Miscellaneous Income	370	482	390	610	292	467	457	337	582	372	442	392	5,194	5,074	120	6,275	(1,081)
Total Income	11,294	9,786	10,437	10,469	10,785	10,802	10,944	10,835	10,917	10,863	10,776	10,889	128,799	129,399	(600)	116,089	12,710
Expense																	
Salary	3,394	3,423	3,511	3,523	3,505	3,656	3,765	3,835	3,877	3,913	3,913	3,919	44,234	44,966	732	37,981	(6,253)
Benefits & Taxes	1,451	1,804	1,451	1,642	1,569	1,626	1,647	1,669	1,679	1,723	1,679	1,717	19,657	19,471	(186)	18,432	(1,225)
Continuing Education	56	35	94	37	55	71	56	48	64	48	43	45	652	731	79	483	(168)
Salary & Benefits	4,902	5,261	5,056	5,202	5,129	5,352	5,468	5,552	5,620	5,684	5,635	5,682	64,542	65,168	626	56,896	(7,647)
Employee Travel	96	121	119	165	166	158	163	163	174	203	160	134	1,824	1,896	73	1,424	(400)
Administrative	234	165	464	159	235	201	389	163	201	475	214	251	3,152	3,468	315	2,899	(254)
Assessments & Fees	1,177	1,177	1,177	1,177	1,177	1,177	1,177	1,177	1,177	1,177	1,177	1,177	14,119	14,119	(0)	14,101	(18)
Meetings	73	59	31	104	69	87	90	64	94	151	55	83	961	1,051	90	775	(186)
Communications	278	261	229	289	249	263	319	319	333	319	319	333	3,514	3,408	(106)	3,079	(435)
Leases	152	152	157	154	156	156	156	156	156	159	159	159	1,871	1,876	5	1,707	(164)
Maintenance	565	575	584	516	589	567	570	566	646	643	649	645	7,115	7,922	808	6,354	(761)
Services	984	1,028	1,088	896	1,349	1,369	1,246	1,410	1,397	1,230	1,198	1,202	14,398	17,500	3,102	14,188	(209)
Regional State Committee	8	12	9	16	19	52	19	19	20	19	19	20	233	266	33	178	(55)
Depreciation & Amortization	1,098	1,080	1,135	1,073	1,168	1,140	1,242	1,211	1,801	1,821	1,795	1,791	16,355	15,853	(501)	14,244	(2,111)
Total Expense	9,566	9,892	10,048	9,752	10,308	10,522	10,839	10,802	11,617	11,882	11,379	11,476	128,084	132,528	4,444	115,844	(12,239)
Other Income/(Expense)																	
Other Income / Expense	4	12	20	22	-	-	-	-	-	-	-	-	58	-	58	2,189	(2,131)
Interest Income	15	17	8	26	-	-	-	-	-	-	-	-	66	-	66	56	10
Interest Expense	(525)	(586)	(517)	(724)	(733)	(733)	(707)	(707)	(707)	(694)	(694)	(694)	(8,020)	(9,814)	1,794	(3,619)	4,401
Capitalized Interest	-	-	357	-	-	547	-	-	710	-	-	50	1,664	3,689	(2,024)	-	(1,664)
Swap Valuation	-	-	340	-	-	-	-	-	-	-	-	-	340	-	340	53	(287)
Net Other Income (Expense)	(505)	(556)	208	(675)	(733)	(186)	(707)	(707)	3	(694)	(694)	(644)	(5,891)	(6,126)	235	(1,320)	330
Net Income (Loss)	\$1,222	(\$663)	\$597	\$42	(\$255)	\$95	(\$601)	(\$674)	(\$697)	(\$1,713)	(\$1,298)	(\$1,231)	(\$5,175)	(\$9,255)	\$4,080	(\$1,076)	(\$4,100)
2011 Headcount Actual/Fcst	461	469	476	478	481	495	506	525	533	539	539	540	540				
2011 Headcount Budget	495	508	518	522	525	534	543	543	545	546	539	541	541				
Over / (Under) Budget	(34)	(39)	(42)	(44)	(44)	(39)	(37)	(18)	(12)	(7)	-	(1)	(1)				

	Projected Fixed Charge Ratio												
	Trailing 4 Quarters												
	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
Actual	3.42	3.48	3.37	2.98	2.36	2.32	2.48	2.70	3.19	3.53	3.96	4.53	5.29
Adjusted	3.43	3.44	3.40	3.04	2.32	2.32	2.48	2.70	3.19	3.53	3.96	4.53	5.29
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



Southwest Power Pool
Actual Results Overview
For the Month Ending April 30, 2011
(in thousands)

	Current Month Compared to Forecast			YTD			YTD		
	Apr-11 Actual	Apr-11 Forecast	Variance Fav/(Unfav)	Apr-11 Actual	Apr-11 Budget	Variance Fav/(Unfav)	Apr-11 Current Year	Apr-2010 Prior Year	Variance Fav/(Unfav)
Income									
Tariff Administration Service	\$5,871	\$5,877	(\$6)	\$23,493	\$24,010	(\$517)	\$23,493	\$21,406	\$2,088
Fees & Assessments	1,755	2,116	(361)	7,807	8,320	(513)	7,807	6,951	856
Contract Services Revenue	2,232	2,332	(100)	8,834	9,334	(501)	8,834	7,242	1,592
Miscellaneous Income	610	507	103	1,853	1,733	120	1,853	1,519	333
Total Income	10,469	10,832	(363)	41,986	43,397	(1,411)	41,986	37,118	4,869
Expense									
Salary	3,523	3,483	(40)	13,851	14,642	790	13,851	12,315	(1,536)
Benefits & Taxes	1,642	1,565	(77)	6,347	6,367	20	6,347	5,955	(393)
Continuing Education	37	64	27	222	284	62	222	180	(43)
Salary & Benefits	5,202	5,112	(90)	20,421	21,293	872	20,421	18,449	(1,972)
Employee Travel	165	188	22	502	636	135	502	421	(80)
Administrative	159	161	1	1,023	1,359	336	1,023	1,035	12
Assessments & Fees	1,177	1,177	(0)	4,706	4,706	0	4,706	4,253	(453)
Meetings	104	139	35	267	379	111	267	278	11
Communications	289	270	(20)	1,058	996	(62)	1,058	1,029	(29)
Leases	154	155	1	615	620	6	615	550	(65)
Maintenance	516	606	89	2,240	2,627	387	2,240	1,796	(444)
Services	896	1,265	370	3,996	6,389	2,393	3,996	4,775	779
Regional State Committee	16	19	3	45	78	33	45	83	38
Depreciation & Amortization	1,073	1,099	25	4,386	4,693	307	4,386	5,282	896
Total Expense	9,752	10,190	438	39,259	43,776	4,517	39,259	37,952	(1,307)
Other Income/(Expense)									
Other Income / Expense	22	-	22	58	-	58	58	24	35
Interest Income	26	-	26	66	-	66	66	8	58
Interest Expense	(724)	(733)	9	(2,351)	(1,902)	(449)	(2,351)	(1,129)	(1,222)
Capitalized Interest	-	-	-	357	-	(357)	357	-	(357)
Swap Valuation	-	-	-	340	-	340	340	(69)	409
Net Other Income (Expense)	(675)	(733)	57	(1,529)	(1,902)	(341)	(1,529)	(1,166)	(1,077)
Net Income (Loss)	\$42	(\$90)	\$132	\$1,199	(\$2,280)	\$3,479	\$1,199	(\$2,000)	\$3,199



Southwest Power Pool
Balance Sheet
As of April 30, 2011
(in thousands)

	4/30/2011	12/31/2010	Variance
(\$000)			
ASSETS			
Current Assets			
Cash & Equivalents	\$140,617	\$81,041	\$59,576
Restricted Cash Deposits	31,189	25,668	5,521
Accounts Receivable (net)	11,841	18,509	(6,668)
Other Current Assets	7,791	3,351	4,440
Total Current Assets	191,438	128,569	62,869
Total Fixed Assets	57,057	46,000	11,057
Total Other Assets	1,768	2,541	(773)
Investments	769	652	117
TOTAL ASSETS	251,031	177,761	73,270
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable (net)	3,100	10,348	(7,248)
Customer Deposits	32,907	25,668	7,239
Current Maturities of LT Debt	14,706	13,206	1,500
Other Current Liabilities	30,766	26,449	4,317
Deferred Revenue	5,383	6,174	(791)
Total Current Liabilities	86,861	81,844	5,017
Long Term Liabilities			
US Bank Floating Senior Note - 2014	14,750	16,000	(1,250)
US Bank 5.45% Senior Notes - 2016	25,500	27,000	(1,500)
US Bank Maumelle Mortgage - 2027	4,112	4,163	(51)
Campus 4.82% Senior Notes - 2042	65,000	65,000	(0)
Integrated Marketplace 3.55% Senior Note - 2024	70,000	0	70,000
Other Long Term Liabilities	3,991	4,136	(145)
Total Long Term Liabilities	183,353	116,299	67,054
Net Income	1,199	(1,076)	2,275
Members' Equity	(20,382)	(19,306)	(1,076)
Total Members' Equity	(19,184)	(20,382)	1,199
TOTAL LIABILITIES & EQUITY	\$251,031	\$177,761	\$73,270

SOUTHWEST POWER POOL
2011 FORECAST
PROJECT OVERVIEW, DESCRIPTIONS ANALYSIS



	Owner	Prior Year(s) Expense	Q1 Actual	Q2 Forecast	Q3 Forecast	Q4 Forecast	Total 2011	Future Expense	Total Project	Budget Thru 2014*	Over/(Under) Budget
PRPC Projects (in thousands)											
Integrated Market Place (Future Markets)-budget thru 2011	Debbie James	\$8,340	\$2,144	\$5,519	\$8,867	\$6,316	\$22,847	\$69,813	\$101,000	\$86,136	\$14,864
High Availability	Barbara Sugg	\$1,222	\$1,097	\$240	\$690	\$971	\$2,998	-	\$4,221	\$4,165	\$56
Consolidated Balancing Authority	L.Nickell/S.Brown	\$192	\$0	-	\$100	\$100	\$200	\$4,248	\$4,640	\$4,615	\$25
Future Markets Initiatives Total		\$9,754	\$3,242	\$5,759	\$9,657	\$7,387	\$26,045	\$74,061	\$109,861	\$94,916	\$14,945
New Facilities Construction	Tom Dunn	\$10,287	\$4,597	\$16,691	\$12,986	\$9,208	\$43,482	\$7,990	\$61,759	\$61,861	(102)
Decommission Plaza West & Chenal Offices	Malinda See	-	-	-	-	-	-	\$350	\$350	\$350	-
New Facility-New Office Building Furnishings	Malinda See	-	-	\$1,000	\$9,000	-	\$10,000	-	\$10,000	\$10,000	-
New Facility-Hardware for New Data Center *	Tom Burdick	-	-	-	\$4,891	-	\$4,891	-	\$4,891	\$6,161	(1,270)
New Facility-Operations Hardware - Office Support	Richard Bell	-	-	-	\$791	-	\$791	-	\$791	\$996	(205)
New Facility-Security Infrastructure-Office/Campus	Mike Wilkerson	-	-	-	\$169	\$271	\$440	-	\$440	\$555	(114)
New Facility-Telecom/Network/Security *	Mike Wilkerson	-	-	-	\$6,647	\$134	\$6,781	\$2,111	\$8,892	\$8,541	\$350
New Facility Initiatives Total		\$10,287	\$4,597	\$17,691	\$34,483	\$9,613	\$66,384	\$10,451	\$87,123	\$88,464	(1,341)
EMS Upgrade	R.Thornton/B.Bressers	-	\$5	\$235	\$360	-	\$600	-	\$600	\$572	\$28
Centralized Modeling Tool	Casey Cathey	-	-	-	\$90	\$90	\$180	\$298	\$478	\$478	-
EMS Enhancements-Foundation	Kevin Bates	-	\$16	\$30	\$30	\$10	\$86	\$250	\$336	\$350	(14)
PRR176 Demand Response in the EIS Market	Casey Cathey	-	-	-	-	-	-	\$1,420	\$1,420	\$1,420	-
Improved Intermittent Resource Integr-Real-Time Ops **	JSmith/Bnewlin/CJBrown	-	\$62	(62)	-	-	-	-	-	\$225	(225)
Implement Mandatory Compliance Standards	Sam Ellis	-	-	-	-	-	-	\$600	\$600	\$900	(300)
PRR 211	CJ Brown	-	-	\$40	\$50	-	\$90	-	\$90	\$300	(210)
PRR Implementation Foundation	CJ Brown	-	\$43	\$59	\$45	\$5	\$153	\$150	\$303	\$300	\$3
Add - Remove SPP Market Entities (BAs, MPs, etc.)	Eddie Watson	-	\$16	\$35	\$30	-	\$81	\$100	\$181	\$150	\$31
E-terra Vision Implementation	Kevin Bates	-	\$35	-	\$43	-	\$78	-	\$78	\$35	\$43
Model Change Submission Tool	C.Cathey/E.Watson	-	-	\$20	\$20	-	\$40	\$50	\$90	\$50	\$40
Replace OPS1 Outage Coordination Scheduler	Jason Smith	-	\$138	\$194	\$64	\$17	\$413	\$20	\$433	\$450	(18)
Operations Initiatives Total		-	\$314	\$551	\$732	\$122	\$1,720	\$2,888	\$4,608	\$5,230	(622)
IIP Data Repository **	Keith Tynes	-	-	-	\$42	-	\$42	\$141	\$183	\$234	(51)
STEP Project Tracking Database Implementation	Tony Green	-	-	\$20	-	-	\$20	-	\$20	\$50	(30)
Credit Process Stack List Analysis	John Mills	-	-	\$80	\$120	\$200	\$400	-	\$400	\$400	-
Load Forecasting Tool **	John Mills	-	-	\$70	\$140	\$105	\$315	-	\$315	\$350	(35)
Stochastic Modeling Tool**	John Mills	-	-	\$30	\$60	\$45	\$135	-	\$135	\$150	(15)
Engineering Initiatives Total		-	-	\$200	\$362	\$350	\$912	\$141	\$1,053	\$1,184	(131)
e-Tariff Phase II	Heather Starnes	-	\$40	\$122	\$310	\$310	\$782	\$140	\$922	\$629	\$293
Regulatory Initiatives Total		-	\$40	\$122	\$310	\$310	\$782	\$140	\$922	\$629	\$293
SPP Budgeting & Forecasting System	Scott Smith	-	-	-	-	\$40	\$40	-	\$40	-	\$40
Portal API Transmission Settlements	Philip Bruich	-	-	-	-	-	-	\$50	\$50	\$50	(0)
Settlements Data API	Philip Bruich	-	-	-	-	-	-	\$50	\$50	\$50	-
TLR Settlements Automation	Philip Bruich	-	-	-	-	-	-	\$25	\$25	\$25	-
SLIP Tool Enhancement	Philip Bruich	-	-	-	-	-	-	\$50	\$50	\$50	-
Administration Initiatives Total		-	-	-	-	\$40	\$40	\$175	\$215	\$175	\$40
External Facing Service Desk	RJ Robertson	-	-	-	-	-	-	-	-	\$2	(2)
Dispatcher Training Simulator Enhancement	Jim Gunnell	-	-	-	\$294	\$98	\$392	-	\$392	\$588	(196)
Process Integrity Initiatives Total		-	-	-	\$294	\$98	\$392	-	\$392	\$590	(198)
Total PRPC Managed Projects		\$20,042	\$8,193	\$24,324	\$45,838	\$17,920	\$96,275	\$87,856	\$204,173	\$191,188	\$12,985

SOUTHWEST POWER POOL
2011 FORECAST
PROJECT OVERVIEW, DESCRIPTIONS ANALYSIS



Owner	Prior Year(s) Expense	Q1 Actual	Q2 Forecast	Q3 Forecast	Q4 Forecast	Total 2011	Future Expense	Total Project	Budget Thru 2014*	Over/(Under) Budget	
Non-PRPC Projects (in thousands)											
PER-005 Job Task Analysis and Assessment	Carl Stelly (Sam Ellis)	-	-	-	-	\$75	\$75	-	\$75	-	\$75
MOS Enhancements Foundation	CJ Brown	-	\$55	\$40	\$25	-	\$120	\$100	\$220	\$200	\$20
OATI Enhancements	Casey Cathey	-	\$90	\$35	\$8	-	\$133	\$100	\$233	\$300	(67)
Improve Utilization of SPP Transmission System	L. Nickell/B. Bressers	-	-	-	-	-	-	\$250	\$250	\$250	-
Interregional Situational Awareness Phase 2	Jason Smith	-	-	-	\$20	\$20	-	\$20	\$20	\$20	-
Operations Initiatives Total		-	\$145	\$75	\$33	\$95	\$348	\$450	\$798	\$770	\$28
ITP10 Benefit and Robustness Determination	Keith Tynes	-	-	-	-	-	-	\$125	\$125	\$250	(125)
ITP Resource Integration and Stochastic Tool	Keith Tynes	-	-	-	-	-	-	\$150	\$150	\$150	-
Engineering Initiatives Total		-	-	-	-	-	-	\$275	\$275	\$400	(125)
2011 IT Apps Foundation	Annette Holbert	-	\$10	\$80	-	-	\$90	\$53	\$143	\$129	\$14
2011 IT Data Management Foundation	Bobby Reynolds	-	-	-	\$91	-	\$91	-	\$91	\$91	-
2011 IT Server Admin Foundation	Tom Burdick	-	\$554	\$3,802	\$228	\$91	\$4,674	\$2,434	\$7,108	\$5,043	\$2,065
2011 IT Service Management Foundation	John Kelly	-	\$11	\$82	\$770	\$314	\$1,177	\$3,217	\$4,394	\$4,432	(38)
2011 IT Environment Ops Foundation	Larry Buster	-	(30)	\$22	-	\$15	\$7	-	\$7	\$45	(38)
2011 IT Tele/Network/Security Foundation	Mike Wilkerson	-	\$227	\$140	\$361	-	\$729	\$1,625	\$2,354	\$2,102	\$252
CIP (Ver 4) Project	Phillip Propes	-	-	\$13	\$15	-	\$28	\$220	\$248	\$338	(90)
IT Initiatives Total		-	\$772	\$4,139	\$1,465	\$420	\$6,796	\$7,549	\$14,345	\$12,180	\$2,165
IA GP/Rockton License	Lauren Krigbaum	-	\$4	-	-	-	\$4	\$8	\$12	\$12	\$0
Process Integrity Initiatives Total		-	\$4	-	-	-	\$4	\$8	\$12	\$12	\$0
AREVA ETS Foundation	Philip Bruich	-	\$50	\$100	\$100	-	\$250	\$400	\$650	\$650	-
Administration Initiatives Total		-	\$50	\$100	\$100	-	\$250	\$400	\$650	\$650	-
2010 Unbudgeted Carry Over Items											
2010 Unbudgeted Furniture & Fixtures		-	\$24	-	-	-	\$24	-	\$24	-	\$24
2010 Unbudgeted Hardware/Software		-	\$1	\$1	-	-	\$3	-	\$3	-	\$3
2010 Unbudgeted Leasehold Improvements		-	\$25	-	-	-	\$25	-	\$25	-	\$25
Enterprise Records Management System (ERMS)	Lauren Krigbaum	\$1,079	(115)	-	-	-	(115)	-	\$963	\$600	\$363
2010 Unbudgeted Carry Over Items		\$1,079	(65)	\$1	-	-	(64)	-	\$1,015	\$600	\$415
Total Non-PRPC Managed Projects		\$1,079	\$906	\$4,315	\$1,598	\$515	\$7,335	\$8,682	\$17,095	\$14,612	\$2,483
TOTAL PROJECTS		\$21,120	\$9,099	\$28,639	\$47,436	\$18,436	\$103,610	\$96,538	\$221,268	\$205,800	\$15,468
TOTAL PROJECTS INCLUDING UNBUDGETED CARRYOVER		\$22,199	\$9,034	\$28,640	\$47,436	\$18,436	\$103,546	\$96,538	\$222,283	\$206,400	\$15,883

* New Facility costs include IT refresh expense which will coincide with the building move (\$1.5 data center hardware/\$1.9 Telecom/Network/Security - total \$3.4).

** Highlighted projects are new to 2011. All other projects are carryover projects.



Southwest Power Pool
Headcount Analysis
 As of April 30, 2011

	Current Month Actual vs. Budget			Forecast vs. Budget		
	Actual	Budget	Over/(Under)	FY 2011	FY 2011	Over/(Under)
	April	April	Budget	Forecast	Budget	Budget
Administration	0	0	0	0	0	0
Officers	11	10	1	10	10	0
Accounting	11	11	0	11	11	0
Credit	3	3	0	3	3	0
Human Resources	20	21	(1)	21	21	0
Settlements	16	19	(3)	22	22	0
Total Administration	61	64	(3)	67	67	0
Inter-Regional Affairs	1	1	0	1	1	0
Project Management	12	12	0	12	12	0
Training	6	9	(3)	9	9	0
Customer Service	6	6	0	7	7	0
Reliability Standards	3	2	1	3	2	1
Process Management	1	1	0	1	1	0
Transmission Development	7	7	0	7	7	0
Total Process Integrity	36	38	(2)	40	39	1
SPP Compliance	11	13	(2)	13	13	0
Communications	3	3	0	3	3	0
Market Monitoring	10	12	(2)	13	13	0
Internal Audit	5	5	0	5	5	0
Total Compliance & Corporate Affairs	29	33	(4)	34	34	0
Total SPP Regional Entity	25	28	(3)	29	29	0
Total Information Technology	116	126	(10)	131	132	(1)
Total Markets	5	5	0	5	5	0
Total Operations	106	120	(14)	125	126	(1)
Total Engineering	40	46	(6)	46	46	0
Total Contract Services	41	43	(2)	43	43	0
Total Reglulatory Policy & General Counsel	19	19	0	20	20	0
TOTAL HEADCOUNT	478	522	(44)	540	541	(1)

* Position eliminated after transfer out of IT





2011 Job Tracker



Req. #	Position	Dept #	Dept Name	Reports To	Status	External Hire
10-005	Lead Compliance Eng	130	R.E. Compliance	Ron Ciesiel	↑	✓
10-040	Sr. Market Engineer (Senior Analyst FTR)	720	Market Monitoring	Alan McQueen	↑	✓
10-101	Lead Engineer	420	Transmission Service Studies	Steve Purdy	↗	
10-102	Sr. Planning Analyst	410	Steady State Planning	Keith Tynes	↑	✓
10-105	Sr. Operations Analyst	800	Ops Analyst & Performance Support	Carl Stelly	↗	
10-106	Supervisor, Transmission Services	890	Transmission Services	Shari Brown	↑	✗
10-107	Operator II	890	Transmission Services	Shari Brown	↑	✗
10-108	Operations Analyst II	885	Tariff Admin & AFC Supp	Jason Davis	↑	✗
10-112	Sr. Market Analyst	720	Market Monitoring	John Hyatt	↗	
10-114	Operator Trainer, Performance Support Spec	800	Ops Analyst & Performance Support	Carl Stelly	↑	✗
10-119	Lead Engineer	8200	Engineering Admin	David Kelley	↑	✓
10-122	Engineer II	8110	IR Planning & Procurement	Ben Roubique	↑	✓
10-123	Supervisor, IT Apps	510	IT Applications	Reed Thornton	↑	✗
10-124	Business Analyst II	8110	IR Planning & Procurement	Ben Roubique	↑	✓
10-125	Regulatory Analyst I	420	Transmission Service Studies	Steve Purdy	↗	
10-126	Lead IT Specialist	580	IT Operations	Tom Burdick	↑	✗
10-127	Sr. IT Specialist	580	IT Operations	Ken Philips	↑	✓
10-130	Director, Compliance	230	SPP Compliance	Stacy Duckett	↑	✗
10-131	Operations Trainer	340	Training	Jim Gunnell	↗	
10-132	Supervisor, IT Apps	510	IT Applications	Reed Thornton	↗	
10-133	Lead Compliance Engineer	230	SPP Compliance	Phillip Propes	↗	
11-001	Training & Education Compliance Engineer	170	R.E. Administration	Alice Wright	↗	
11-002	Administrative Assistant I	170	R.E. Administration	Alice Wright	↑	✓
11-003	Lead Compliance Engineer	130	R.E. Compliance	Ron Ciesiel	↑	✓
11-004	Lead Compliance Engineer	170	R.E. Administration	Alice Wright	↗	
11-005	Enforcement Attorney	180	R.E. Enforcement	Joe Gertsch	↗	
11-006	Facilities/Corporate Services Manager	150	Human Resources	Malinda See	↗	
11-007	Manager, Market Settlements	160	Settlements	Philip Bruich	↑	✗
11-008	Settlement Analyst I	160	Settlements	T. Alexander	↑	✓
11-009	Sr. Market Analyst	720	Market Monitoring	Alan McQueen	↗	
11-010	Engineer II, Forecast	895	Market Support & Analysis	Casey Cathey	↑	✗
11-011	Engineer II, Reliability Unit Commitment	895	Market Support & Analysis	Casey Cathey	↑	✗
11-012	Sr. Engineer, Market Support & Analysis	895	Market Support & Analysis	Casey Cathey	↗	
11-013	Engineer I, Reliability Unit Commitment	895	Market Support & Analysis	Casey Cathey	↑	✓
11-014	Engineer II, Congestion Hedging	450	Congestion Hedging	Mak Nagle	↑	✗
11-015	Lead Engineer, Congestion Hedging	450	Congestion Hedging	Mak Nagle	↑	✗
11-016	Planning Analyst III	8000	Contract Services	K. Prewitt	↑	✗
11-017	Project Analyst II	560	Project Management	Tom Carnes	↑	✗
11-018	Project Analyst II	560	Project Management	Tom Carnes	↑	✓
11-019	Lead IT Specialist	510	IT Applications	A. Holbert	↑	✗
11-020	Sr. Vendor Manager	510	IT Applications	A. Holbert	↑	✗
11-021	Service Desk Analyst (Part-Time)	575	Service Management	John Kelly	↑	✓
11-022	Service Desk Analyst (Part-Time)	575	Service Management	John Kelly	↑	✓
11-022	Service Desk Analyst (Part-Time)	575	Service Management	John Kelly	↑	✓
11-024	Service Desk Analyst (Part-Time)	575	Service Management	John Kelly	↑	✓
11-025	Service Desk Analyst (Part-Time)	575	Service Management	John Kelly	↗	
11-026	Service Desk Analyst (Part-Time)	575	Service Management	John Kelly	↓	
11-027	Service Desk Analyst (Part-Time)	575	Service Management	John Kelly	↓	
11-028	Service Desk Analyst (Part-Time)	575	Service Management	John Kelly	↓	
11-029	Operations Analyst III	840	Markets Administration	Sam Ellis	↗	
11-030	Sr. Systems Events Analyst	230	SPP Compliance	TBD	↗	
11-031	Instructional Designer/Trainer	340	Training	Jim Gunnell	↗	
11-032	Market Trainer and Performance Support	340	Training	Jim Gunnell	↗	
11-033	Writer/Communications Specialist	310	Communications	Emily Pennel	↑	✓
11-034	Market Operator III, EIS Market	840	Markets Administration	CJ Brown	↗	
11-035	Sr. Engineer, Reliab Compliance Supp & Anal	870	Operations Eng. Anal & Supp	Jason Smith	↗	
11-036	Sr. Engineer, Tariff Compliance Supp & Anal	885	Tariff Admin & AFC Supp	Jason Davis	↗	

2011 Job Tracker

Req. #	Position	Dept #	Dept Name	Reports To	Status	External Hire
11-037	Supervisor, Reliability Coordination - South	8142	RC South	Don Shipley	↑	×
11-038	Sr. Business Analyst	450	Congestion Hedging	Mak Nagle	↗	
11-039	Settlement Analyst II	160	Settlements	T. Alexander	↗	
11-040	Customer Relations Representative II	320	Customer Service	RJ Robertson	↑	×
11-041	IT Specialist II	510	IT Applications	Steve Morris	↗	
11-042	Sr. Data Analyst	530	Data Management	Todd Liles	↗	
11-043	Regulatory Policy Analyst I	900	Regulatory	H. Starnes	↑	×
11-044	Sr. Settlement Analyst	160	Settlements	T. Alexander	↑	×
11-045	Sr. Settlement Analyst	160	Settlements	T. Alexander	↑	✓
11-046	Settlement Analyst II	160	Settlements	T. Alexander	↗	
11-047	IT Specialist I	510	IT Applications	A. Holbert	↗	
11-048	Sr. IT Specialist	510	IT Applications	A. Holbert	↗	
11-049	IT Specialist I	510	IT Applications	A. Holbert	↗	
11-050	IT Specialist II, Environmental	580	Networking	Stan Chapman	↑	✓
11-051	Market Analyst II	720	Market Monitoring	John Hyatt	↗	
11-052	Engineer I, RealTime Shift Support	880	Real Time & Current Day Eng.	Scott Aclin	↗	
11-053	Engineer I, RealTime Shift Support	880	Real Time & Current Day Eng.	Scott Aclin	↗	
11-054	Regulatory Policy Supervisor	900	Regulatory	H. Starnes	↗	
11-055	Customer Relations Representative II	320	Customer Service	RJ Robertson	↓	
11-056	IT Specialist I	580	Networking	Tom Burdick	↗	
11-057	Engineer II, Outage Coordinator	870	Operations Eng. Anal & Supp	Jason Smith	↓	
11-058	Engineer I, Operations Forensics	895	Market Support & Analysis	Casey Cathey	↗	
11-059	IT Specialist II	575	Service Management	J. Morrison	↓	
11-060	Supervisor, EIS Market	840	Modeling & Data Integrity	CJ Brown	↑	×
11-061	Engineer I, RUC DAM Modeling & Data Integrity	850	Modeling & Data Integrity	Kevin Bates	↓	
11-062	EIT	400	Transmission Development	Jay Caspary	↑	✓
11-063	EIT	400	Transmission Development	Jay Caspary	↑	✓
11-064	Operator III, Tariff Administration	810	Tariff Administration	J. Womack	↑	×
11-065	Lead Compliance Engineer - CIP	130	R.E Compliance	Joe Gertsch	↗	
11-066	Sr. Engineer	410	Steady State Planning	Keith Tynes	↗	
11-067	Planning Analyst I	420	Trans Service Studies	Steve Purdy	↗	
11-068	Sr. Market Engineer or Sr. Market Analyst	710	Market Design	Debbie James	↑	×
11-069	Supervisor, Market Settlements	160	Settlements		↗	
11-070	OIT	810	Tariff Administration	J. Womack	↗	
11-071	Sr. IT Specialist	580	Server Administration	Tom Burdick	↗	
11-072	Engineer I	880	Real Time & Current Day Eng.	Scott Aclin	↑	×
11-073	Business Analyst II	510	IT Applications	A. Holbert	↗	
11-074	Engineer I	895	Mkt. Support/Analysis	Casey Cathey	↑	✓
11-075	IT Spec II - Vendor Management	510	IT Applications	Anjelica	↑	✓
11-076	Sr. Operator/Operator III	890	Transmission Services	B. Whitfield	↗	
11-077	Sr. Operator	820	Reliability Coordination	Heath Martin	↗	
11-078	Sr. Operator	820	Reliability Coordination	Terry Oxandale	↗	
11-079	Operator I	830	Interchange	Lisa Carter	↑	×
11-080	Operator I	830	Interchange	Lisa Carter	↑	×
11-081	Operator II	810	Tariff Administration	J. Womack	↗	
11-082	Planning Analyst II	460	Economic Planning	Jody Holland	↗	
11-083	Sr. VP, Regulatory	110	Regulatory Policy	Nick Brown	↑	✓
11-084	Sr. Business Analyst	510	IT Applications	R.Sanders	↗	
11-085	Sr. Market Operator	840	Market Operations	J. Womack	↗	
11-086	Settlement Analyst	160	Settlements	T. Alexander	↗	
11-087	Lead IT Specialist	510	IT Applications	A.Holbert	↗	
11-088	Engineer II	8120	IR Planning & Procurement	A.Lucas	↗	
11-089	OIT	810	Tariff Administration	J. Womack	↗	
11-090	Settlement Analyst	160	Settlements	T. Alexander	↓	
Pending	Pending-Settlement Analyst	160	Settlements	R.Gay	↗	
Pending	OIT-Pending Requisition	810	Tariff Administration	J. Womack	↓	
Pending	OIT-Pending Requisition	810	Tariff Administration	J. Womack	↓	

2011 Job Tracker

Req. #	Position	Dept #	Dept Name	Reports To	Status	External Hire
2011 Budgeted Incremental Positions Filled		26	Status Legend			
2010 Positions Filled in 2011		14	2011 Inactive			10
YTD Replacement Hires		10	2011 Active, Not Posted			-
YTD Total Hires		50	2011 Active, Posted			46
Number of External Hires Total *		24	Filled (not including 2010 req)			36
<i>* All others include internal and external hires</i>						

03/31 Ending Headcount	476	Hire Legend			
April New Hires	4	2011 Internal			19
04/01 Resignation	-1	2011 External			17
Reclassification of Active to Inactive (LOA)	-1				
04/30 Ending Headcount	478				
2010 Open (in blue at top)	7				
2011 Open (10 inactive / 46 posted)	56				
3rd Quarter Retirement	-1				
Total Targeted Headcount	540				

2011 Budgeted Incremental Req's sequence 11-001 thru 11-061

Replacement Headcount Highlighted in Yellow (Req 11-062 to 11-xxx)

Remaining 2010 Open Positions Highlighted in Blue (Req 10-xxx)