Southwest Power Pool

FINANCE COMMITTEE MEETING

April 17, 2012

Dallas, Texas

• Summary of Action Items •

1. Approved final terms and pricing for issuance of $100 million in term notes
2. Approved 2011 financial statement audit report
3. Approved 2012 funding for SPP pension plan and post-retirement healthcare plan
4. Confirmed continued use of term debt to fund SPP's capital expenditure program

• Schedule of Follow-up Items •

1. SPP President to review metering in SPP region and suggest opportunities for improvement
2. Impact of depreciation schedules on property taxes and balance sheet
3. Provide updates on Integrated Marketplace project along with Internal Audit reports on Integrated Marketplace at each regularly scheduled Finance Committee meeting
4. Distribute copy of PCAOB report on BKD, LLC to Finance Committee members

Southwest Power Pool
FINANCE COMMITTEE MEETING
April 17, 2012
Dallas, Texas

• MINUTES •

Agenda Item 1 – Administrative Items

SPP Chair Harry Skilton called the meeting to order at 8:15 a.m. The following members of the Finance Committee were in attendance:

Harry Skilton	SPP Director
Larry Altenbaumer	SPP Director
Trudy Harper	Tenaska
Sandra Bennett	Southwestern Power Company
Kelly Harrison	Westar Energy
Carl Huslig	ITC Great Plains
Tom Dunn	SPP

Others attending included:

Carol Shoemake (phone)	OG&E
Traci Bender	NPPD
Keith Conine	BKD, LLC
Bruce Rew (phone)	SPP
Dianne Branch	SPP
Steve Osborn	Osborn, Carreiro & Associates

Administrative Items

Minutes from the December 12, 2011 meeting were reviewed. Kelly Harrison motioned to approve the minutes. The motion was seconded by Carl Huslig and approved by unanimous voice vote.

Harry Skilton recognized Trudy Harper for her invaluable contributions to the Finance Committee and SPP. Trudy Harper is retiring from Tenaska at the end of April 2012 and this will be her final Finance Committee meeting.

Harry Skilton requested the addition of four discussion items to the agenda, as follows: 1) Order 1000 financial requirements, 2) Project reporting format, 3) Metrics to evaluate SPP's performance in the future, 4) Order 741 compliance regarding netting and offset process.

2012 Note Issuance

SPP staff advised the Committee on the results of the private placement auction which completed on April 16, 2012. SPP requested investors bid on the placement of $50 million in 12-year term notes (first two years interest only payments with level amortizing principal payments payable quarterly thereafter) funding in May 2012. SPP also indicated it would entertain offers to commit to a deferred funding of an additional $50 million in 12-year notes (first two years interest only payments with level amortizing principal payments payable quarterly thereafter), funding in November 2012.

Investor interest in the offering was strong with $110 million in bids to fund in May 2012 at a fixed rate of 3.00% (7yr Treasury yield of 1.38% plus a spread of 162bps at time of commitment). Additionally, $90 million in bids were received to do a deferred funding in November 2012 at a fixed rate of 3.25%. All bid would follow the terms and conditions of SPP's 2010-11 series A,B,&C notes (no financial covenants).

The Committee debated three options: i) Fund $50 million in May 2012 at 3.00% and re-approach the market later in 2012 for additional funding; ii) Fund $50 million in May 2012 at 3.25% and fund $50 million in November at 3.25%; iii) Fund $100 million in May 2012 at 3.00%.

Larry Altenbaumer motioned to approve the issuance of $50 million in May 2012 at 3.00% and $50 million in November 2012 at 3.25%. The motion was seconded by Sandra Bennett and approved by unanimous voice vote.

February 2012 Financial Report

SPP staff reviewed SPP's February 2012 financial reports. As of February, SPP is forecasting an over-collection of approximately 1¢/MWh due primarily to greater than budgeted NITS load.

2011 Financial Audit Report

SPP staff discussed SPP's 2011 financial results. Keith Conine of BKD, LLC discussed the findings of BKD's audit of SPP's 2011 financial results, focusing on passed adjustments and the management letter comments. Following these discussions, the Committee convened an executive session to meet with BKD without SPP management present.

Following the executive session, Larry Altenbaumer motioned to accept the 2011 financial audit report as presented. The motion was seconded by Carl Huslig and approved by unanimous voice vote.

Harry Skilton recommended SPP's Internal Audit staff review all expense reports for SPP's officers and Board of Directors members and report their findings to the SPP Oversight Committee. Additionally, Internal Audit currently reviews the rate setting calculation and fixed cost reimbursements of Off We Go, LLC (entity owned by SPP's CEO and CFO which owns a single engine aircraft that is used frequently in SPP business travel); these reviews should be presented directly to the Oversight Committee and not presented in any way to the CEO or CFO.

Actuary Report on Pension and Post-retirement Health Plans

Steve Osborn presented the January 1, 2012 actuary reports on both the SPP Retirement Plan and the SPP Post-retirement Healthcare Plan. The SPP Retirement Plan was fully funded on the report date as plan assets exceeded accumulated benefit obligations by nearly $3 million. 2012 contributions were recommended at nearly $3.9 million. The funded status of the plan was adversely impacted by a 25bps reduction in the discount rate an investment loss of 5% during 2011. SPP has utilized the third segment Corporate Bond Yield Curve prescribed by the U.S. Treasury Department (per the Pension Protection Act of 2006) to establish the appropriate discount rate. The Committee discussed using the "equivalent rate" (essentially the average of the first, second and third segment rate used to develop the Corporate Bond Yield Curve). This discussion was tabled and SPP staff was requested to investigate and bring a recommendation to the Committee at its July 10, 2012 meeting.

Carl Huslig motioned to approve funding for the SPP Retirement Plan of $3,892,000 during 2012 and funding for the Post-retirement Healthcare Plan of $469,000 during 2012. The motion was seconded by Kelly Harrison and approved by unanimous voice vote.

Integrated Marketplace Review

SPP staff provided a brief overview of the status of the Integrated Marketplace project focusing on the current "yellow" status of the project and activities being undertaken to bring the project back to a "green" status.

Capital Expenditure Funding Policy

SPP staff facilitated a discussion on SPP's capital expenditure funding policy and potential alternatives to the existing policy. The current policy dictates using term debt to fund 100% of capital expenditures. Alternatives reviewed included funding 100% of capital expenditures within the annual administrative fee, utilizing leases instead of debt, funding maintenance capital expenditures within the annual administrative fee.

Following significant discussions on each identified alternative and reviewing the pros and cons of each identified alternative Sandra Bennett made a motion to leave the capital expenditure funding policy unchanged. The motion was seconded by Larry Altenbaumer and approve by unanimous voice vote.

SPP Rate Structure

SPP staff facilitated a discussion on the SPP Administrative Fee Rate Structure. The discussion was positioned to obtain the input of the Committee in advance of the Strategic Planning Committee retreat which would largely focus on SPP's rate structure. The current structure collects SPP's net revenue requirement (annual expenses and debt service net of SPP's other revenues) from customers based on transmission service purchased using a single rate. Other alternative rate structures discussed included i) using depreciation in the rates instead of principal payments on debt; ii) extend the true-up period beyond the next calendar year; iii) implement transaction fees for TCR auctions and virtual bids/offers; iv) fully unbundle the rate to charge customers based on service purchased; v) change billing units to include both transmission service purchased as well as generation.

Following the discussion, consensus was reached to suggest the Strategic Planning Committee evaluate i) changing the annual membership fee to recover specific costs of services provided to all members (i.e. reliability coordination, reserve sharing, etc.); ii) require customers of SPP's markets to also be members of SPP.

Finance Committee Scope Document Review

The Finance Committee Scope was reviewed in light of proposed additions to and reductions of responsibilities for several of SPP's board level committees. The Finance Committee did not object to the addition of responsibility for oversight of management of the assets in SPP's Retirement Plan and SPP's Post-retirement Healthcare Plan. Additionally, the Committee did not object to moving responsibility for enterprise risk management, business continuity planning and disaster recovery programs to the Oversight Committee. The Committee members expressed strong sentiment against moving responsibility for oversight of SPP's external audit engagements (financial and controls) to the Oversight Committee. Utility members of the Finance Committee supported maintaining that level of oversight within the Finance Committee due to its more transparent structure and direct member involvement on the Committee.

Written Reports

- Business Process Improvement Tracking - SPP staff summarized the status of the BPI initiative and highlighted additional BPI projects identified since the last review
- PCAOB Review of BKD, LLC – SPP staff was asked to circulate to the Committee members copies of the PCAOB report on BKD, LLC.
- Off We Go, LLC Expense Reimbursements – reviewed in executive session with BKD, LLC.

Other Business

Volunteers were requested to participate on a Finance Committee task force charged with identifying the financial requirements expected of an entity prior to allowing an entity to participate in the Competitive Solicitation Process for transmission projects which are regionally funded. The task force will hold its first meeting on May 24, 2012 in Dallas, TX

SPP staff advised the Committee that the final compliance filing for Order 741 – Credit Reforms is due at the end of April 2012. SPP will seek approval to defer the filing until December 31, 2012 to provide adequate time for SPP and its members to gain consensus on an approach to mitigating offset and netting risk should a market participant file for bankruptcy protection. SPP staff is currently researching the legal, tax, and regulatory requirements to be satisfied if SPP were to become counterparty to all market transactions.

Future Meetings

The next meeting of the SPP Finance Committee is scheduled for June 26, 2012 beginning at 10:00 am central time and finishing at 2:30 pm central. This meeting will be held at the DFW-Hyatt Regency in Dallas, TX

There being no further business, Harry Skilton adjourned the meeting at 2:30 p.m.

Respectfully Submitted,

Thomas P. Dunn
Secretary

Southwest Power Pool, Inc.

FINANCE COMMITTEE MEETING

April 17, 2012

DFW – Hyatt Regency
Dallas, TX

• AGENDA •

8:00 a.m. – 2:30 p.m.

1. Administrative Items *(5 minutes)* .... Harry Skilton
2. 2012 Note Issuance (*30 minutes*)****ACTION**** .... Tom Dunn
3. February 2012 Financial Report (15 minutes) .... Tom Dunn
4. Integrated Marketplace Review (*60 minutes*) .... Bruce Rew
5. 2011 Financial Audit Report (*60 minutes*) ****ACTION**** .... Keith Conine (BKD) / Dianne Branch (SPP)
6. Actuary Report on Pension and Post-retirement Health Plans (*30 minutes*) ****ACTION**** Steve Osborn
7. Capital Expenditure Funding Policy (6*0 minutes*) .... Tom Dunn
8. SPP Rate Structure (6*0 minutes*) .... Tom Dunn
9. Finance Committee Scope Document Review (30 minutes) .... Tom Dunn
10. Written Reports:
    a. Business Process Improvement Tracking
    b. PCAOB Review of BKD, LLC
    c. Off We Go, LLC Expense Reimbursements
11. Future Meetings .... All
12. Adjourn .... Harry Skilton

Southwest Power Pool

FINANCE COMMITTEE MEETING

December 12, 2011

Little Rock, Arkansas

• Summary of Action Items •

1. Approved engagement of BKD, LLC to perform audit of SPP's 2011 financial statements
2. Approved plan to issue up to $125 million in term notes during the next 2 years including seeking authorization from FERC and Arkansas Public Service Commission to issue the notes, and authorizing the SPP President and CFO to execute the notes upon final approval of the terms and conditions by the SPP Finance Committee

• Schedule of Follow-up Items •

1. SPP President to review metering in SPP region and suggest opportunities for improvement
2. Impact of depreciation schedules on property taxes and balance sheet.
3. Provide updates on Integrated Marketplace project along with Internal Audit reports on Integrated Marketplace at each regularly scheduled Finance Committee meeting.
4. Review policy of using debt financing to fund capital expenditure program. Specifically determine impacts of funding maintenance capital expenditures through Schedule 1A Administrative Charge and only using debt financing to fund significant projects.

Southwest Power Pool

FINANCE COMMITTEE MEETING

December 12, 2011

Little Rock, Arkansas

• MINUTES •

Agenda Item 1 – Administrative Items

SPP Chair Harry Skilton called the meeting to order at 12:00 p.m. The following members of the Finance Committee were in attendance:

Harry Skilton	SPP Director
Larry Altenbaumer	SPP Director
Trudy Harper	Tenaska
Sandra Bennett	Southwestern Power Company
Kelly Harrison	Westar Energy
Carl Huslig	ITC Great Plains
Tom Dunn	SPP

Others attending included:

Jim Eckelberger	SPP Director
Phyllis Bernard	SPP Director
Josh Martin	SPP Director
Julian Brix	SPP Director
Carol Shoemake	OG&E
Bruce Cude	SPS
John Seck	KMEA
Traci Bender	NPPD
Sean Berry	PWC
Tim Cherry	PWC
Keith Conine	BKD, LLC
Nick Brown	SPP
Bruce Rew	SPP
Sam Ellis	SPP
Carl Monroe	SPP
Dianne Branch	SPP
Scott Smith	SPP
Lauren Krigbaum	SPP
Stacy Duckett	SPP
Carl Monroe	SPP

Administrative Items

Minutes from the November 14, 2011, November 9, 2011, and October 14, 2011 meetings were reviewed. Kelly Harrison motioned to approve the minutes. The motion was seconded by Sandra Bennett and approved by unanimous voice vote.

Integrated Marketplace Review

SPP staff presented a thorough review of the Integrated Marketplace program, emphasizing the program structure and governance, financial and risk management, and third party engagements. The Committee members thanked the staff for the review and requested staff provide summary reviews to the Committee until the project is completed.

Virtual and TCR Transaction Fee

SPP staff summarized its research into the fee schedules of other RTOs for congestion hedging and virtual energy transactions. The Committee's discussion veered along numerous paths ranging from only charging transaction fees once some pre-specified volume of transactions have occurred to revamping SPP's rate structure to allocate costs using a metric other than load, to elimination of SPP's withdrawal obligation. The discussion will continue at future meetings.

SSAE 16 Audit Report and Management Response

Sean Berry and Tim Cherry presented the results of PWC's audit of the design and effectiveness of SPP's controls. PWC's audit report will have an unqualified opinion and will reference three exceptions identified during the audit. SPP management agreed with the audit findings and has identified several opportunities to limit the impact of the identified exceptions.

Internal Audit Report

SPP staff reviewed the scope of audits completed by the Internal Audit department for the YTD period ending November 2011 and identified the 2012 audit plan. Internal Audit did not identify any serious deficiencies in their audit work during 2011.

2011 Financial Audit Engagement

SPP staff presented a recommendation to engage BKD, LLC to perform an audit of SPP's 2011 financial statements, controls, and processes. The fee for the audit is estimated to be comparable to the 2010 engagement fee. Larry Altenbaumer motioned to engage BKD, LLC to perform an audit of SPP's 2011 financial statements, controls, and processes. The motion was seconded by Sandra Bennett and approved by unanimous voice vote.

Keith Conine of BKD, LLC presented the 2011 financial audit plan identifying significant focus areas for the audit and seeking input from the Committee on other areas which the Committee would like audited. The Committee convened a brief executive session to meet with the auditor without SPP management present.

2012 Financing

SPP staff presented a recommendation to obtain up to $125 million in term debt financing in 2Q'12 to fund SPP's capital expenditure program through 2014 (based on the 2012 budget and forecast). Capital expenditures through 2014 are forecast to total $128 million; the main projects include the Integrated Marketplace and SPP's Corporate Campus. SPP's existing capital funding account balance is expected to be depleted early in 2Q'12; remaining funding requirements through 2014 are forecast at $92 million. The specific recommendation is as follows:

1. Authorize issuance of up to $125 million in secured and unsecured notes with maturities of up to 12 years.
2. Authorize appropriate regulatory filings for the issuance of up to $125 million in secured and unsecured notes with maturities of up to 12 years to be issued within 24 months of receiving regulatory approval.
3. Authorize SPP Finance Committee to oversee negotiation, approval of terms and conditions, and authorize execution of up to $125 million in secured and unsecured notes with maturities of up to 12 years.
4. Authorize the SPP President and CFO to jointly execute notes and agreements for the issuance of up to $125 million in secured and unsecured notes with maturities of up to 12 years following final approval and authorization from the SPP Finance Committee.

Larry Altenbaumer motioned to approve the recommendation to issue up to $125 million in term notes with maturities of up to 12 years with oversight and approval prior to execution of notes by the Finance Committee. The motion was seconded by Kelly Harrison and approve by unanimous voice vote.

Credit Policy Review

SPP staff presented the final Credit Policy as amended by the Regional Tariff Working Group to be filed with SPP's Integrated Marketplace tariff filing. The final Credit Policy will not be formally reviewed by the Credit Practices Working Group until December 14. The Finance Committee withheld comments until notified of satisfactory review by the Credit Practices Working Group.

FERC Order 741 Compliance Filing Update

SPP staff presented the Credit Policy language to be filed on December 15, 2011 in compliance with FERC Order 741. The changes largely dealt with the requirement of the RTO to perform periodic verification of a market participant's risk management capabilities. Several members of the Committee expressed discomfort with the FERC requirement in general and the compliance language to meet this requirement. The Committee requested SPP's transmittal letter offer insights into SPP's process to comply with the Order.

Other Business

The Committee discussed potential opportunities to fund ongoing capital expenditures (those necessary to maintain SPP's systems in their current state) through collections of the SPP schedule 1A Administrative Charge as opposed to utilizing new issuances of term debt. SPP staff was asked to model the impact of a change such as this on the Administrative Charge as well as the withdrawal obligation for members.

Future Meetings

The next meeting of the SPP Finance Committee is scheduled for April 17 beginning at 8:30 am central time and finishing at 3:30 pm central. This meeting will be held at the DFW-Hyatt Regency in Dallas, TX

There being no further business, Harry Skilton adjourned the meeting at 5:30 p.m.

Respectfully Submitted,

Thomas P. Dunn
Secretary

Southwest Power Pool, Inc.

FINANCE COMMITTEE

Recommendation from SPP Staff

April 17, 2012

2012 Financing

Organizational Roster

The following persons are members of the Finance Committee:

Harry Skilton	Director
Larry Altenbaumer	Director
Carl Huslig	ITC Great Plains
Trudy Harper	Tenaska
Sandra Bennett	American Electric Power
Kelly Harrison	Westar Energy

Background

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

		Balances ($MM)		Funding	
Due Date	Rate	Original	Current	Year	Primary Purpose
2014 Sr. Notes	5.61%	$30	$17	2007	Capital projects from 2006-2008
2016 Sr. Notes	5.45%	$30	$29	2009	Capital projects from 2008-2011
2024 Sr. Notes	3.55%	$70	$70	2011	Integrated Marketplace Initiatives
2027 Sr. Notes	6.36%	$5	$4	2007	Maumelle facility construction
2042 Sr. Notes	4.82%	$65	$65	2010	New facility construction
Totals		**$200**	**$185**		

All notes are unsecured except for the 2027 notes which are secured by a mortgage on SPP's Maumelle, AR operations facility. SPP also has available a $20 million unsecured revolving line of credit maturing June 2013. The revolving line currently has $0 advanced. Pricing of draws is variable based on SPP's credit rating by Fitch Ratings. Currently any draws under the revolving facility would be priced at LIBOR + 1.50%.

The SPP Board of Directors, at its January 31, 2012 meeting, approved the recommendation of the SPP Finance Committee to issue up to $125 million in debt securities to fund SPP's capital expenditure program through 2014. Said approval was subject to the following conditions:

1. Authorize issuance of up to $125 million in secured and unsecured notes with maturities of up to 12 years;
2. Authorize appropriate regulatory filings for the issuance of up to $125 million in secured and unsecured notes with maturities of up to 12 years to be issued within 24 months of receiving regulatory approval;
3. Authorize SPP Finance Committee to oversee negotiation, final approval of terms and conditions, and authorization to execute up to $125 million in secured and unsecured notes with maturities of up to 12 years

4. Authorize the SPP President and CFO to jointly execute notes and agreements for the issuance of up to $125 million in secured and unsecured notes with maturities of up to 12 years, upon final authorization of the SPP Finance Committee.

Analysis

SPP has filed with the FERC and received authorization from the FERC to issue the notes as approved by the SPP Board of Directors[1]. SPP has filed with the Arkansas Public Service Commission for authorization to issue the notes as approve by the SPP Board of Directors[2]. SPP expects to receive a ruling from the Arkansas Public Service Commission during the week of April 9, 2012. SPP engaged Merrill Lynch as lead placement agent and Regions Bank as co-agent to administer a private placement of the approved notes as an additional series under the Note Purchase Agreement dated October 28, 2010. SPP conducted a conference call with potential investors in the notes on April 10, 2010. Merrill Lynch then conducted a bidding process with potential investors to determine the final terms and conditions of the issuance. The bidding window closes on April 16, 2012.

The strategy of the issuance is to approach the marketplace for an initial issuance of $50 million in term notes and advise the market that SPP would also issue an additional $50 million in notes during 4Q'12. SPP would entertain bids on the initial $50 million as well as deferred commitments to fund the following $50 million.

The result of the bidding process is presented to the Finance Committee as a handout during the April 17, 2012 meeting.

Recommendation

Approved:

Action Requested: Approve Recommendation

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[1] FERC docket ES12-20-000
[2] AR PSC docket 12-009-U

SPP Southwest Power Pool

Memorandum

To: SPP Officers / Directors / Managers
From: Sheri Parish / Cindy Goodwin
Date: March 23, 2012
RE: February 2012 Financials

Attached are the February 2012 monthly financial reports. Please note, 2011 numbers remain unaudited as of this distribution.

		Page
1).	**Financial Commentary:** Full Year Actual to Budget Variances	1
2).	**Financial Forecast Overview:** Full Year Actuals by Month vs. Budget vs. Prior Year	2
3).	**Income Statement Actual Results Overview:** Current Month Actual vs. Forecast**,** YTD Actual vs Budget, YTD Actual vs. Prior Year	3
4).	**Balance Sheet:** Current Month vs. Ending Prior Year	4
5).	**Capital Projects Summary:** Project to Date and Current Year/Future Projections Compared to Budget	5
6).	**Headcount Analysis:** Current Month - Actual vs. Budget and Full Year - Forecast vs. Budget	9
7).	**Job Tracker:** List of Current Open Positions as Tracked by Human Resources	10

2011 Financial Commentary
As of February 2012
(in thousands)

Summary

	2012 FY Forecast	2012 FY Budget	Fav/(Unfav) Variance	
Revenues	$149,609	$146,415	$3,194	2.2%
Expenses	150,917	151,953	1,036	0.7%
Net Loss	($1,308)	($5,539)	$4,231	76.4%

Revenue

	2011 FY Forecast	2011 FY Budget	Fav/(Unfav) Variance	
Tariff Administration Service	$92,016	$90,131	$1,886	2.1%
Fees & Assessments	28,151	26,909	1,242	4.6%
Contract Services & Misc Income	29,442	29,375	67	(0.2%)
Total Revenue	$149,609	$146,415	$3,194	2.2%

Revenue variances exceed budget due to 1). 2011 NITS load exceeded 2012 budget ($1.8M) and 2). FERC assessments were over budget due to adjustments for recovery of prior year under collections ($1.6M).

Expense

	2012 FY Forecast	2012 FY Budget	Fav/(Unfav) Variance	
Salary & Benefits	$72,068	$72,222	$154	0.2%
Assessments & Fees	15,410	15,410	(0)	(0.0%)
Communications & Maintenance	13,340	13,904	564	4.1%
Outside Services	18,527	18,700	173	0.9%
Depreciation & Amortization	17,533	17,317	(216)	(1.2%)
Other Expenses	14,040	14,401	361	2.5%
Total Expense	$150,917	$151,953	$1,036	0.7%

Salary & Benefits are favorable due to staffing delays exceeding the budgeted vacancy assumptions.

Communications is under budget due to the following: 1) lower than anticipated Frame charges for new member circuits ($65K), 2) lower than anticipated conferencing and long distance usage ($18K), and 3) the delay in circuit implementation for the corporate campus ($68K).

Equipment purchases have been delayed due to a manufacturer supply shortage which caused the maintenance projections to come in under budget ($350K). Reductions in pricing as a result of contract negotiations have also contributed to the favorable variance ($300K). The variance is partially offset by additional Oracle licenses ($260K) this year, which will result in significant savings over the next three years. Overall, maintenance is favorable to budget by $414K.

Factors contributing to the favorable variance in Services include: 1). delays in securing contract resources for the training and business process improvement departments ($94K) 2). lower than anticipated usage of consultants for engineering and contract service studies ($190K) and 3). lower than anticipated audit consulting work for the Regional Entity in the first two months ($130K). This is partially offset by additional expense associated with the Entergy/MISO cost analysis study ($200K).

SPP Southwest Power Pool

Southwest Power Pool
Forecast Overview
As of February 2012
CONSOLIDATED TOTAL
(in thousands)
(Unaudited)

	Actual Jan-12	Actual Feb-12	Forecast Mar-12	Forecast Apr-12	Forecast May-12	Forecast Jun-12	Forecast Jul-12	Forecast Aug-12	Forecast Sep-12	Forecast Oct-12	Forecast Nov-12	Forecast Dec-12	FY 2012 Forecast	FY 2012 Budget	Variance Fav/(Unfav)	FY 2011 Actuals *	Variance Fav/(Unfav)
Income																	
Tariff Administration Service	$7,844	$7,340	$7,757	$7,535	$7,764	$7,550	$7,799	$7,795	$7,535	$7,779	$7,540	$7,778	$92,016	$90,131	$1,886	$71,702	$20,314
Fees & Assessments	2,519	2,123	2,301	2,251	2,351	2,351	2,451	2,451	2,451	2,301	2,301	2,301	28,151	26,909	1,242	24,123	4,028
Contract Services Revenue	2,244	2,427	2,160	2,266	2,199	2,193	2,187	2,199	1,515	1,515	1,515	1,515	23,935	23,759	176	26,549	(2,614)
Miscellaneous Income	506	530	460	420	395	520	440	440	550	392	392	467	5,508	5,616	(109)	6,566	(1,059)
Total Income	13,113	12,420	12,678	12,472	12,709	12,613	12,876	12,885	12,050	11,986	11,747	12,060	149,609	146,415	3,194	128,941	20,669
Expense																	
Salary	3,872	3,933	4,016	4,068	4,007	4,093	4,226	4,244	4,259	4,269	4,266	4,272	49,525	50,289	765	44,472	(5,052)
Benefits & Taxes	1,654	2,015	1,914	1,735	1,752	1,791	1,816	1,829	1,829	1,853	1,822	1,857	21,868	21,215	(653)	19,527	(2,341)
Continuing Education	34	15	56	51	78	74	39	73	133	48	31	42	675	717	42	515	(160)
Salary & Benefits	5,560	5,963	5,986	5,854	5,837	5,958	6,081	6,146	6,222	6,171	6,119	6,171	72,068	72,222	154	64,514	(7,553)
Employee Travel	105	154	243	308	233	262	285	295	349	317	198	159	2,906	3,002	96	1,695	(1,211)
Administrative	303	270	534	273	270	393	357	267	278	553	263	283	4,044	4,212	168	3,003	(1,041)
Assessments & Fees	1,284	1,284	1,284	1,284	1,284	1,284	1,284	1,284	1,284	1,284	1,284	1,284	15,410	15,410	(0)	16,639	1,229
Meetings	53	70	105	195	97	125	143	72	150	218	78	93	1,399	1,445	46	798	(601)
Communications	294	379	374	399	399	399	399	399	349	349	349	349	4,441	4,592	151	3,204	(1,237)
Leases	158	151	152	163	164	158	158	158	158	72	72	72	1,633	1,631	(2)	1,624	(10)
Maintenance	600	629	713	715	714	736	775	839	762	794	836	787	8,899	9,312	414	7,308	(1,591)
Services	935	1,405	1,474	1,421	1,672	1,786	1,744	1,614	1,785	1,513	1,656	1,522	18,527	18,700	173	15,661	(2,866)
Regional State Committee	41	77	23	23	23	83	23	23	23	23	23	83	465	394	(71)	311	(154)
Depreciation & Amortizatio	1,173	1,162	1,009	1,453	1,430	1,659	1,650	1,646	1,635	1,617	1,613	1,487	17,533	17,317	(216)	13,107	(4,426)
Total Expense	10,505	11,544	11,897	12,088	12,122	12,843	12,898	12,743	12,995	12,910	12,490	12,289	147,325	148,237	912	127,863	(19,462)
Other Income/(Expense)																	
Other Income / Expense	14	43	-	-	-	-	-	-	-	-	-	-	56	-	56	(4,150)	4,206
Interest Income	29	25	-	-	-	-	-	-	-	-	-	-	54	-	54	157	(103)
Interest Expense	(664)	(685)	(681)	(668)	(668)	(668)	(656)	(656)	(656)	(643)	(643)	(643)	(7,932)	(7,945)	13	(8,250)	(318)
Capitalized Interest	-	-	1,456	-	-	1,050	-	-	970	-	-	753	4,229	4,229	-	1,943	(2,286)
Swap Valuation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	183	183
Net Other Income (Expense)	(621)	(617)	776	(668)	(668)	382	(656)	(656)	315	(643)	(643)	109	(3,592)	(3,716)	124	(10,117)	1,683
Net Income (Loss)	$1,987	$259	$1,556	($285)	($82)	$152	($678)	($514)	($629)	($1,567)	($1,386)	($119)	($1,308)	($5,539)	$4,231	($9,040)	$7,731
2012 Headcount Actual/Fcst	518	524	532	540	555	567	582	586	589	590	590	590	590				
2012 Headcount Budget	548	561	575	579	581	585	588	588	590	590	590	590	590				
Over / (Under) Budget	(30)	(37)	(43)	(39)	(26)	(18)	(6)	(2)	(1)	-	-	-	-				

** Unaudited*

Southwest Power Pool

Actual Results Overview

For the Month Ending February 29, 2012

(in thousands)

	Current Month Compared to Forecast			YTD	YTD		YTD	YTD	
	Feb-12	Feb-12	Variance	Feb-12	Feb-12	Variance	Feb-12	Feb-2012	Variance
	Actual	Forecast	Fav/(Unfav)	Actual	Budget	Fav/(Unfav)	Current Year	Prior Year *	Fav/(Unfav)
Income									
Tariff Administration Service	$7,340	$7,338	$2	$15,184	$15,022	$162	$15,184	$11,589	$3,595
Fees & Assessments	2,123	2,346	(223)	4,642	4,800	(158)	4,642	4,323	319
Contract Services Revenue	2,427	2,265	162	4,671	4,548	124	4,671	4,316	355
Miscellaneous Income	530	660	(130)	1,036	994	41	1,036	852	183
Total Income	12,420	12,609	(189)	25,533	25,364	169	25,533	21,080	4,453
Expense									
Salary	3,933	3,922	(11)	7,805	7,987	182	7,805	6,817	(988)
Benefits & Taxes	2,015	1,680	(335)	3,669	3,367	(302)	3,669	3,253	(416)
Continuing Education	15	33	18	49	108	59	49	91	42
Salary & Benefits	5,963	5,636	(328)	11,523	11,462	(61)	11,523	10,161	(1,362)
Employee Travel	154	193	39	259	409	150	259	218	(41)
Administrative	270	346	76	573	828	255	573	400	(173)
Assessments & Fees	1,284	1,284	-	2,568	2,568	0	2,568	2,353	(215)
Meetings	70	75	5	123	189	66	123	132	9
Communications	379	365	(14)	673	799	126	673	539	(134)
Leases	151	152	1	309	306	(3)	309	304	(5)
Maintenance	629	693	63	1,229	1,397	167	1,229	1,140	(90)
Services	1,405	1,328	(77)	2,340	3,295	956	2,340	2,012	(327)
Regional State Committee	77	23	(54)	118	47	(71)	118	20	(98)
Depreciation & Amortization	1,162	1,054	(107)	2,334	2,119	(216)	2,334	2,178	(156)
Total Expense	11,544	11,148	(396)	22,049	23,418	1,369	22,049	19,457	(2,592)
Other Income/(Expense)									
Other Income / Expense	43	-	43	56	-	56	56	16	40
Interest Income	25	-	25	54	-	54	54	33	22
Interest Expense	(685)	(681)	(4)	(1,349)	(1,362)	13	(1,349)	(1,110)	(239)
Capitalized Interest	-	-	-	-	-	-	-	-	-
Swap Valuation	-	-	-	-	-	-	-	-	-
Net Other Income (Expense)	(617)	(681)	64	(1,238)	(1,362)	124	(1,238)	(1,062)	(177)
Net Income (Loss)	$259	$780	($521)	$2,245	$583	$1,662	$2,245	$562	$1,684

** Unaudited*

Southwest Power Pool

Balance Sheet

As of February 29, 2012

(in thousands)

	2/29/2012	*Unaudited* 12/31/2011	Variance
ASSETS			
Current Assets			
Cash & Equivalents	$60,509	$73,763	($13,253)
Restricted Cash Deposits	38,152	34,904	3,248
Accounts Receivable (net)	12,726	15,901	(3,175)
Other Current Assets	9,708	6,636	3,072
Total Current Assets	**121,095**	**131,204**	**(10,108)**
Total Fixed Assets	120,488	112,188	8,301
Total Other Assets	1,431	2,141	(710)
Investments	860	775	85
TOTAL ASSETS	**$243,875**	**$246,307**	**($2,432)**
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable (net)	$12,094	$17,816	($5,722)
Customer Deposits	38,017	34,903	3,114
Current Maturities of LT Debt	11,206	11,206	0
Other Current Liabilities	25,578	25,741	(163)
Deferred Revenue	5,474	7,450	(1,976)
Total Current Liabilites	**92,369**	**97,117**	**(4,747)**
Long Term Liabilities			
US Bank Floating Senior Note - 2014	11,000	11,000	0
US Bank 5.45% Senior Notes - 2016	21,000	21,000	0
US Bank Maumelle Mortgage - 2027	3,906	3,958	(52)
Campus 4.82% Senior Notes - 2042	65,000	65,000	0
Integrated Marketplace 3.55% Senior Note - 2024	70,000	70,000	0
Other Long Term Liabilities	7,777	7,655	122
Total Long Term Liabilities	**178,682**	**178,612**	**70**
Net Income	2,245	(9,040)	11,285
Members' Equity	(29,422)	(20,382)	(9,040)
Total Members' Equity	**(27,177)**	**(29,422)**	**2,245**
TOTAL LIABILITIES & EQUITY	**$243,875**	**$246,307**	**($2,432)**

Integrated Market Place

	Capitalized Expense
Current Projections	$106,944
Approved Target	$105,640
Over/(Under)	$1,304

The IM project is currently forecasted to exceed the board approved target of $105.6M by $1.3M. Recent increases to the cost projections have been driven by the identified need for additional resources to complete work critical to IM workstreams.

Recent project accomplishments are as follows:

- Marketplace program status moved to Yellow from Green due to concerns surrounding the start of market trials on May 15, 2013. Currently, corrective actions are being critically evaluated for effectiveness and overall project impact.
- SPP completed a significant milestone with the development of the RTBM Basic, which is a bare-bones running system with Real-Time Balancing Market functionality using SPP specific data.
- SPP's Markets and Operations Policy Committee (MOPC) approved the necessary changes to SPP's Tariff during a special meeting on December 6, 2011. These changes were approved by the SPP Board of Directors on January 31, 2012 and were filed with FERC on February 29, 2012.
- The first phase of the TCR mock auctions began January 16, 2012 with 53 MPs signed up to participate.
- The Settlements group has published version 2.3 of its Member Impacting Project Overview on SPP.org and held a conference call kickoff for MP liaisons on February 10, 2012.

Corporate Campus Construction and Migration

	Capitalized Expense
Current Projections	$84,413
Original Budget	$88,553
Over/(Under)	($4,140)

The facility project remains on target and under budget. Significant decreases in cost estimates for data center hardware have been made. The overall project is now projected to be $4.1 MM under budget.

- The integration of the mechanical systems at the Operations/Data Center and Office Building was delayed with the consent of SPP. This was done to allow for additional load to be tested on the chillers. This additional load will result from warmer weather and bringing the Office Building online. Commissioning, testing and balancing of these systems will be complete by the end of April.
- During an inspection of the Operations Center roof on March 7th, an issue was identified with the integrity of the roofing material over the hardened shell. The issue does not compromise the immediate integrity of the roof; however, it does not conform to the warranty of the manufacturer and therefore will be corrected to ensure full warranty coverage.
- Final delivery of furniture on the 2nd floor is scheduled in late May, which will require a delay in final completion of construction to June 15th from May 31st.
- Operations Validation Testing began as scheduled on March 5th. The initial set of tests was successful with validation of the use of virtual resources for console systems. This marks a major milestone for SPP. Additional Operations staff will have the opportunity to work in the new Coordination Center and continue testing through the month of March. SERC has been notified of SPP's intent to certify the Coordination Center during June 2012.
- A compliance review conducted by the SPP Compliance Department during the week of March 5th was successfully completed. The facility is now considered compliant with CIP standards. As such, the building is now capable of supporting CCAs.
- Procurement for furniture in the Office Building is underway. Furniture deliveries for the Office Building will begin March 29th with the arrival of the Knoll cubicles and Haworth floor-to-ceiling walls for the fourth floor.

Budget Analysis of the Facilities Program
As of March 12, 2012

	Budgets		Actual	% of Completion		Estimate to
Budget Item	**SPP Approved**	**Projection**	**Expenditures**	**Contractor** [1]	**Actual**	**Completion**
Construction Project						
Land	$ 4,574	$ 4,574	$ 4,566	100.0%	100.0%	$ -
Ops/Data Center	$ 25,541	$ 24,896	$ 19,814	84.9%	79.6%	$ 5,082
Construction	$ 23,829	$ 23,184	$ 18,156	85.0%	78.3%	$ 5,028
Professional	$ 1,712	$ 1,712	$ 1,658	84.0%	96.9%	$ 54
Office Building	$ 32,081	$ 32,290	$ 25,218	73.8%	78.1%	$ 7,072
Construction	$ 29,298	$ 29,507	$ 23,107	74.0%	78.3%	$ 6,399
Professional	$ 2,783	$ 2,783	$ 2,111	72.0%	75.8%	$ 672
Totals - Construction	**$ 62,196**	**$ 61,759**	**$ 49,598**	**80.2%**	**80.3%**	**$ 12,153**
Migration Project						
Furnishings & Decommission	$ 11,550	$ 9,923	$ 2,279		23.0%	$ 7,644
Data Center Hardware	$ 4,969	$ 4,323	$ 3,603		83.3%	$ 720
Operations Center Hardware, AV & Desktop	$ 1,491	$ 995	$ 583		58.6%	$ 412
Network, Telecom & Physical Security	$ 7,500	$ 7,413	$ 6,877		92.8%	$ 536
Contingency (5%)	$ 847	$ -	$ -			$ -
Totals - Migration	**$ 26,357**	**$ 22,654**	**$ 13,342**		**58.9%**	**$ 9,312**
Total Project (Capitalized)	**$ 88,553**	**$ 84,413**	**$ 62,940**			**$ 21,465**
Decommission Plaza West Expense	$ -	$ -	$ 631 [2]			$ -

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

[2] This expense was originally included in the capital project budget for 2012.

SOUTHWEST POWER POOL
2012 FORECAST
PROJECT OVERVIEW, DESCRIPTIONS ANALYSIS

	Owner	Prior Year(s) Expense	Q1 Forecast	Q2 Forecast	Q3 Forecast	Q4 Forecast	Total 2012	Future Expense	Total Project	Budget Thru 2014	Over/(Under) Budget
PRPC Projects *(in thousands)*											
Integrated Marketplace (Future Markets) ***thru 2014***	Sam Ellis / Dianne Branch	$29,440	$8,103	$15,799	$15,288	$11,609	$50,799	$23,168	$103,407	$101,001	$2,407
High Availability	Barbara Sugg	$2,367	$71	$669	$1,009	$190	$1,938	-	$4,306	$5,121	(815)
Consolidated Balancing Authority	L.Nickell/S.Brown	$1,263	$167	$438	$506	$1,164	$2,275	-	$3,538	$4,639	(1,101)
Future Markets Initiatives Total		**$33,071**	**$8,341**	**$16,905**	**$16,803**	**$12,963**	**$55,012**	**$23,168**	**$111,251**	**$110,761**	**$491**
New Facilities Construction	Tom Dunn	$48,930	$5,339	$7,490	-	-	$12,829	-	$61,759	$61,933	(174)
Facility Migration	Barbara Sugg	$10,777	$5,332	$5,483	$1,062	-	$11,877	-	$22,654	$26,620	(3,966)
Decommission Offices	Barbara Sugg	$26	$194	$195	$585	-	$974	-	$1,000	$24,329	(23,329)
New Facility-New Office Building Furnishings	Malinda See	$500	$4,248	$4,175	-	-	$8,422	-	$8,923	-	$8,923
New Facility-Hardware for New Data Center *	Tom Burdick	$3,552	$69	$225	$477	-	$771	-	$4,323	$322	$4,001
New Facility-Operations Hardware - Office Support	Richard Bell	$269	$162	$563	-	-	$725	-	$995	$630	$364
New Facility-Security Infrastructure-Office/Campus	Mike Wilkerson	-	-	-	-	-	-	-	-	-	-
New Facility-Telecom/Network/Security *	Mike Wilkerson	$6,429	$659	$325	-	-	$984	-	$7,413	$1,338	$6,075
New Facility Initiatives Total		**$59,707**	**$10,671**	**$12,973**	**$1,062**	**-**	**$24,706**	**-**	**$84,413**	**$88,553**	**(4,139)**
EMS Upgrade	R.Thornton/B.Bressers	$608	$345	$229	$112	-	$686	-	$1,294	$1,265	$29
Centralized Modeling Tool	Casey Cathey	$190	$182	$504	$154	$74	$912	$60	$1,162	$1,270	(108)
EMS Enhancements-Foundation	Kevin Bates	$67	$10	$72	$50	$25	$157	$250	$475	$469	$6
PRR Implementation Foundation	CJ Brown	$100	-	$50	-	$50	$100	$300	$500	$649	(149)
Add - Remove SPP Market Entities (BAs, MPs, etc.)	Eddie Watson	$31	$4	$30	$20	-	$54	$125	$210	$215	(5)
E-terra Vision Implementation	Kevin Bates	-	-	$25	$25	-	$50	$100	$150	$193	(43)
Model Change Submission Tool	C.Cathey/E.Watson	$147	$84	$105	$77	$17	$284	-	$431	$563	(132)
Ops Automation #1 OATI	Don Shipley	-	$10	$10	$20	$10	$50	$150	$200	$210	(10)
Ops Automation #1 RTOSS-Settlements	Don Shipley	-	$28	$28	$28	$28	$113	-	$113	$113	-
Ops Automation #1 DC Ties	Don Shipley	-	-	-	$82	-	$82	$200	$282	$364	(82)
Combined Cycle	Sam Ellis	-	-	-	-	-	-	$11,800	$11,800	$11,800	-
Replace OPS1 Outage Coordination Scheduler	Jason Smith	$300	$33	-	-	-	$33	-	$333	$133	$200
Operations Initiatives Total		**$1,444**	**$695**	**$1,053**	**$568**	**$204**	**$2,520**	**$12,985**	**$16,949**	**$17,245**	**(296)**
*ITP Data Repository *****	*Jody Holland*	$30	-	-	$42	-	$42	$92	$164	$184	(20)
Project Tracking Database (TAGIT)	Tony Green	-	$25	$25	$25	$25	$100	-	$100	$150	(50)
Credit Process Stack List Analysis	John Mills	-	$59	$177	-	-	$236	-	$236	$295	(59)
Electromagnetic Transient Program (EMTP)	John Mills	-	-	$30	$45	$5	$80	-	$80	$80	-
Redundant EnFuzion Node and PSSE/MUST Lock	Charles Hendrix	-	-	-	-	-	-	-	-	$23	(23)
Engineering Initiatives Total		**$30**	**$84**	**$232**	**$112**	**$30**	**$458**	**$92**	**$580**	**$732**	**(152)**
e-Tariff Phase II	Heather Starnes	$383	$6	$18	$17	$17	$58	$140	$581	$950	(369)
Regulatory Initiatives Total		**$383**	**$6**	**$18**	**$17**	**$17**	**$58**	**$140**	**$581**	**$950**	**(369)**
SPP Budgeting & Forecasting System	Scott Smith	-	$30	$10	-	-	$40	-	$40	$40	-
Administration Initiatives Total		**-**	**$30**	**$10**	**-**	**-**	**$40**	**-**	**$40**	**$40**	**-**
Request Management System	Jim Gunnell	-	-	-	$91	-	$91	$182	$273	$273	
Process Integrity Initiatives Total		**-**	**-**	**-**	**$91**	**-**	**$91**	**$182**	**$273**	**$273**	**-**
Total PRPC Managed Projects		**$94,635**	**$19,827**	**$31,192**	**$18,653**	**$13,214**	**$82,886**	**$36,567**	**$214,087**	**$218,553**	**(4,466)**
Non-PRPC Projects *(in thousands)*											
MOS Enhancements Foundation	CJ Brown	$120	-	$25	-	$25	$50	$800	$970	$969	$1
OATI Enhancements	Casey Cathey	$196	$37	$13	$13	$25	$88	$200	$484	$537	(53)
Operations Initiatives Total		**$316**	**$37**	**$38**	**$13**	**$50**	**$138**	**$1,000**	**$1,454**	**$1,506**	**(52)**
*Stochastic Modeling Tool***	*John Mills*	-	-	-	$70	$100	$170	-	$170	$170	-
Engineering Initiatives Total		**-**	**-**	**-**	**$70**	**$100**	**$170**	**-**	**$170**	**$170**	**-**

SOUTHWEST POWER POOL
2012 FORECAST
PROJECT OVERVIEW, DESCRIPTIONS ANALYSIS

	Owner	Prior Year(s) Expense	Q1 Forecast	Q2 Forecast	Q3 Forecast	Q4 Forecast	Total 2012	Future Expense	Total Project	Budget Thru 2014	Over/(Under) Budget
2012 IT Apps Foundation	Annette Holbert	$73	$109	$65	$98	-	$272	$59	$404	$421	(17)
2012 IT Data Management Foundation	Bobby Reynolds	$19	$8	-	-	-	$8	-	$27	$91	(64)
2012 IT Server Admin Foundation	Tom Burdick	$3,200	$755	$64	$449	$45	$1,312	$3,424	$7,936	$9,493	(1,557)
2012 IT Service Management Foundation	John Kelly	$263	$137	$1,121	$344	$280	$1,883	$950	$3,095	$3,191	(96)
2012 IT Environment Ops Foundation	Larry Buster	$13	-	$140	$15	$15	$170	$120	$303	$336	(33)
2012 IT Tele/Network/Security Foundation	Mike Wilkerson	$326	$271	$150	$280	$68	$769	$3,001	$4,095	$4,523	(428)
CIP (Ver 4) Project	Phillip Propes	$35	$16	-	-	-	$16	-	$51	-	$51
IT Initiatives Total		**$3,929**	**$1,294**	**$1,540**	**$1,187**	**$408**	**$4,429**	**$7,553**	**$15,911**	**$18,055**	**(2,143)**
AREVA ETS Foundation	Philip Bruich	$250	$50	$25	-	-	$75	$150	$475	$475	-
Administration Initiatives Total		**$250**	**$50**	**$25**	**-**	**-**	**$75**	**$150**	**$475**	**$475**	**-**
Total PRPC Managed Projects		**$4,495**	**$1,381**	**$1,604**	**$1,269**	**$558**	**$4,812**	**$8,703**	**$18,010**	**$20,206**	**(2,196)**
TOTAL PROJECTS		**$99,130**	**$21,208**	**$32,795**	**$19,922**	**$13,772**	**$87,697**	**$45,270**	**$232,097**	**$238,759**	**(6,661)**
2012 Unbudgeted / Carry Over Items											
		-	-	-	-	-	-	-	-	(0)	$0
2012 Unbudgeted Software (EDNA replacement)		$0	$1,000	-	-	-	$1,000	-	$1,000	-	$1,000
2012 Unbudgeted / Carry Over Items		**$0**	**$1,000**	**-**	**-**	**-**	**$1,000**	**-**	**$1,000**	**(0)**	**$1,000**
TOTAL PROJECTS INCLUDING UNBUDGETED / CARRYOVER		**$99,130**	**$22,208**	**$32,795**	**$19,922**	**$13,772**	**$88,697**	**$45,270**	**$233,097**	**$238,758**	**(5,661)**

* 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 2012. All other projects are carryover projects.*

Southwest Power Pool

Headcount Analysis

As of February 29, 2012

	Current Month Actual vs. Budget			Forecast vs. Budget		
	Actual Feb-11	**Budget Feb-11**	**Over/(Under) Budget**	**FY 2012 Forecast**	**FY 2012 Budget**	**Over/(Under) Budget**
Administration	0	0	0	0	0	0
Officers	10	10	0	10	10	0
Accounting	10	10	0	10	10	0
Credit	2	3	(1)	4	4	0
Human Resources	20	23	(3)	27	25	2
Settlements	24	24	0	26	26	0
Total Administration	66	70	(4)	77	75	2
Inter-Regional Affairs	1	1	0	1	1	0
Project Management	13	13	0	14	13	1
Training	9	9	0	11	11	0
Customer Service	7	7	0	9	9	0
Reliability Standards	3	3	0	3	3	0
Process Management	1	2	(1)	1	2	(1)
Transmission Development	7	7	0	7	7	0
Total Process Integrity	41	42	(1)	46	46	0
SPP Compliance	11	13	(2)	13	13	0
Communications	3	3	0	3	3	0
Market Monitoring	10	14	(4)	14	14	0
Internal Audit	4	5	(1)	6	6	0
Total Compliance & Corporate Affairs	28	35	(7)	36	36	0
Total SPP Regional Entity	28	32	(4)	32	32	0
Total Information Technology	127	137	(10)	139	140	(1)
Total Markets	6	5	1	6	6	0
Total Operations	141	146	(5)	157	156	1
Total Engineering	43	53	(10)	49	42	7
Total Contract Services	24	21	3	25	34	(9)
Total Regluatory Policy & General Counsel	20	20	0	23	23	0
TOTAL HEADCOUNT	524	561	(37)	590	590	0

2012 Job Tracker

3/23/2012

Req. #	***Position***	***Dept #***	***Dept Name***	***Status***	***External Hire***	
11-059	IT Specialist II	575	Service Management	⬆	✓	
11-121	Settlement Analyst	160	Settlements	⬆	✓	
11-131	Business Analyst II	510	IT Applications	⬆	✓	
11-133	Market Operator III	840	Market Operations	⬆	✗	
11-135	Director, Treasury & Risk Management	140	Credit	⬆	✗	
11-137	Regulatory Analyst III	900	Regulatory	⬆	✓	
11-139	PT Law Clerk	180	RE Enforcement	⬆	✓	
11-149	Sr. Business Analyst	510	IT Applications	⬆	✗	
11-150	Engineer II	895	Market Support & Analysis	⬆	✗	
11-160	Operator I	810	Tariff Administration	⬆	✓	
11-055	Customer Service Support Specialist I	320	Customer Service	↗		
11-129	Complance Analyst II	230	Compliance	↗		
11-132	IT Specialist II	510	IT Applications	↗		
11-136	Payroll Clerk	150	Human Resources	↗		
11-140	PT Law Clerk	180	RE Enforcement	↗		
11-144	Service Desk Analyst (Part-Time)	580	IT Operations	↗		
11-146	IT Specialist I	510	IT Applications	↗		
11-147	Sr. Operations Analyst	840	Market Operations	↗		
11-148	Outreach Coordinator	230	Compliance	↗		
11-151	Service Desk Analyst (Part-Time)	580	IT Operations	↗		
11-152	Engineer II	880	Real Time & Current Day Eng.	↗		
11-153	Lead Engineer	460	Economic Planning	↗		
11-154	Market Monitor	720	Market Monitoring	↗		
11-157	Market Engineer II	720	Market Monitoring	↗		
11-158	Sr. Market Engineer	720	Market Monitoring	↗		
11-161	Engineer Associate	810	Tariff Administration	⬇		
12-004	IT Specialist II, DBA	510	IT Applications	⬆	✗	
12-006	Engineer II, Congestion Hedging	450	Congestion Hedging	⬆	✗	
12-008	Supervisor, IT Applications	510	IT Applications	⬆	✓	
12-009	Interregional Coordinator	8200	Engineering Administration	⬆	✗	
12-010	Sr. Settlements Analyst	160	Settlements	⬆	✗	
12-011	Sr. Settlements Analyst	160	Settlements	⬆	✗	
12-013	Sr. Engineer, Day Ahead Market	890	Market Admnistration	⬆	✗	
12-016	Project Manager	560	Project Management	⬆	✓	
12-017	Market Design Analyst I/Engineer I	710	Market Design	⬆	✓	
12-019	Customer Liaison, Integrated Marketplace	320	Customer Relations	⬆	✗	
12-022	Supervisor, IT Service Desk	580	Enterprise Operations	⬆	✗	
12-029	Supervisor, Customer Training	340	Training	⬆	✗	
12-001	Sr. Operator, Day Ahead Market	890	Market Admnistration	↗		
12-003	Sr. IT Specialist, DBA	510	IT Applications	↗		
12-005	IT Specialist II, Data Analyst (BI Developer)	510	IT Applications	↗		
12-007	Supervisor, IT Applications	510	IT Applications	↗		
12-012	Sr. Market Monitor	720	Market Monitoring	↗		
12-014	Manager, Systems Operations	820	Reliability Coordination	↗		
12-015	IT Specialist I	510	IT Applications	↗		
12-018	Sr. Customer Trainer	340	Training	↗		
12-020	Project Manager, BPI	250	Process Management	↗		
12-021	Engineer II	430	Modeling	↗		
12-023	Building Maintenance Specialist	150	Human Resources	↗		
12-026	Enforcement Attorney	180	RE - Enforcement	↗		
12-027	Internal Auditor	240	Internal Audit	↗		
12-030	Principal, Regulatory Policy Analyst	900	Regulatory	↗		
12-031	Sr. Market Analyst, Operations Support	840	Market Operations	↗		
12-032	Sr. Engineer, RT Market Policy	840	Market Operations	↗		
12-035	Engineer I, Modeling	430	Modeling	↗		
12-036	Sr. IT Specialist, Service Desk	580	Enterprise Operations	↗		
12-037	Attorney	330	Legal	↗		
12-038	Paralegal III	330	Legal	↗		
12-040	Lead IT, Specialist	510	IT Applications	↗		

2012 Job Tracker

3/23/2012

Req. #	***Position***	***Dept #***	***Dept Name***	***Status***	***External Hire***	
12-043	Credit Analyst I	140	Credit	↗		
12-044	Quality Assurance Analyst III	800	Oper Analysis & Perf Supp	↗		
12-045	Sr. Quality Assurance Analyst	800	Oper Analysis & Perf Supp	↗		
12-046	Settlement Analyst II	160	Settlements	↗		
12-002	HR Generalist I	150	Human Resources	⬇		
12-024	Sr. Compliance Specialist	130	RE - Compliance	⬇		
12-025	Sr. Compliance Specialist	130	RE - Compliance	⬇		
12-028	Customer Service Support Specialist I	320	Customer Relations	⬇		
12-033	Operations Analyst II, Model Coordination	860	Operations Support	⬇		
12-034	Operations Analyst II, Model Coordination	860	Operations Support	⬇		
12-039	Corporate Receptionist	150	HR	⬇		
12-041	Sr. Market Analyst, RT Market Policy	840	Market Operations	⬇		
12-042	Market Analyst I, RT Market Policy	840	Market Operations	⬇		
12-047	Settlement Analyst II	160	Settlements	⬇		
12-048	Facilities Coordinator	150	Corporate Services	⬇		
12-049	Supervisor, Operational Planning	860	Operations Support	⬇		
12-050	Economist	450	Congestion Hedging	⬇		
12-053	Settlement Analyst	160	Settlements	⬆	✓	
12-054	Settlement Analyst	160	Settlements	⬆	✓	
12-056	Manager, Customer Relations	320	Customer Relations	⬆	✗	
12-051	IT Specialist II	510	IT Applications	↗		
12-052	Business Analyst II	460	Economic Planning	↗		
12-057	SR. Internal Auditor	240	Internal Audit	↗		
12-058	Instructional Designer/Trainer	340	Customer Training	↗		
12-059	IT Specialist II	810	IT Applications, Reliablity	↗		
12-060	Career Development Specialist	180	Human Resources	↗		
12-061	Planning Analyst II	470	Special Studies	↗		
12-062	Manager, Accounting	120	Accounting	↗		
12-063	Sr. IT Specialist	510	IT Applications	↗		
12-064	Engineer II	850	Modeling	↗		
Pending	Sr. Market Engineer	720	Market Monitoring	↗		
Pending	Engineer II	8110	ICT Planning	⬇		

2012 YTD Budgeted Positions Filled	12
2012 YTD Replacement Positions Filled	3
2012 YTD Total Hires	15
2011 Positions Filled in 2012	10
Number of External Hires	11
Number of Internal Hires	14

Status Legend		***2012***	***2011***
⬇	Inactive	14	1
↘	Active, Not Posted	0	0
↗	Active, Posted	36	15
⬆	Filled	15	10

Hire Legend

✗	Internal
✓	External

Remaining 2011 Positions in Blue: 11-xxx

2012 Budgeted Positions Highlighted in Grey: 12-001 thru 12-050

Replacement Positions Highlighted in Yellow: 12-051 thru 12-xxx

01/31 Ending Active Headcount	**518**
Resignations during January	0
February External Hires	6
02/29 Ending Active Headcount	**524**
2011 Open	16
2012 Open	50
2012 Year End Target	**590**

SPP Southwest Power Pool

Helping our members work together
to keep the lights on... today
and in the future

Integrated Marketplace Update

April 10, 2012

Bruce Rew

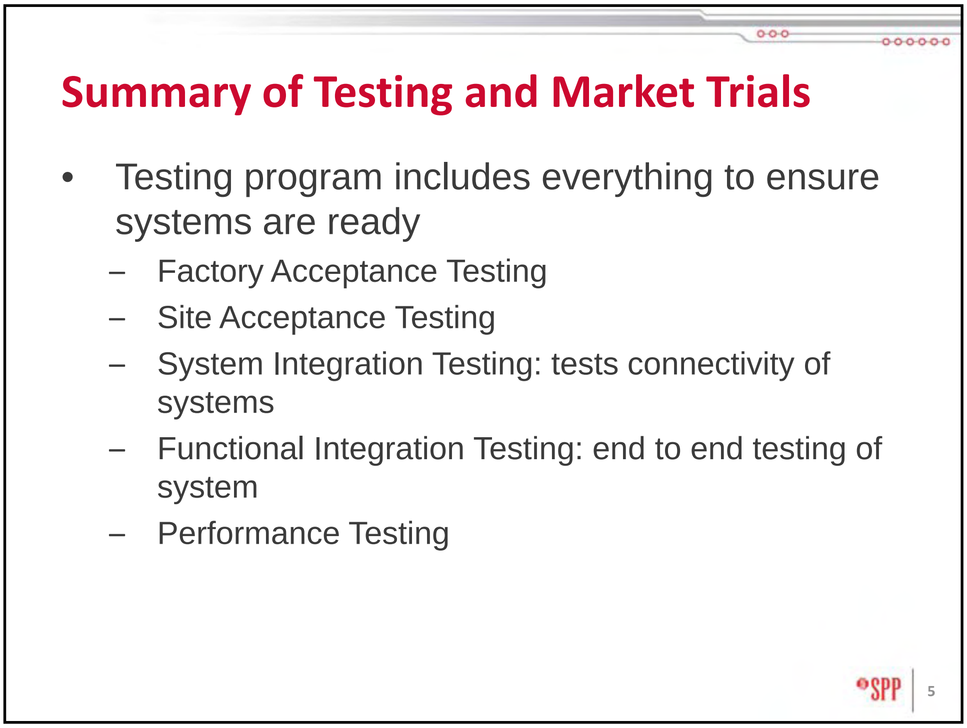
SPP Southwest Power Pool

Program status change in February

- *Our Program management approach is to be conservative and get any concerns out early*
- End of January program analyzed scenarios to complete required testing and market trials and trending of work stream slippage
- Decision made to change status to yellow
- Yellow is defined as concerned about meeting a key milestone on the date assigned
- Provides transparency and stakeholder involvement in solutions

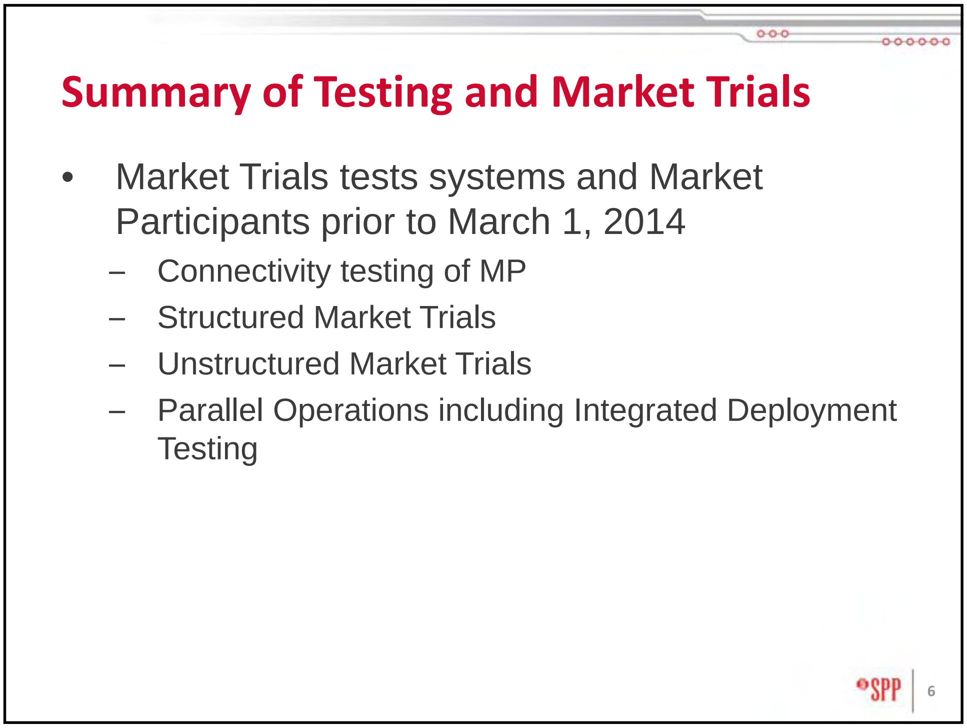
Program status change in February

- Precautionary as we work through concern areas
- Provide focus on evaluation of actions necessary to maintain program targets
- Areas of concern
  - Potentially significant overlap between end of testing and scheduled beginning of market trials
  - Post Operations-Pre Settlements
  - System Interface Complexities



Summary of Testing and Market Trials

- Testing program includes everything to ensure systems are ready
  - Factory Acceptance Testing
  - Site Acceptance Testing
  - System Integration Testing: tests connectivity of systems
  - Functional Integration Testing: end to end testing of system
  - Performance Testing



Summary of Testing and Market Trials

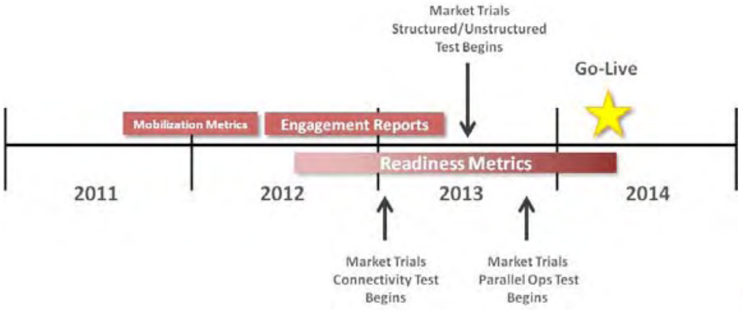
- Market Trials tests systems and Market Participants prior to March 1, 2014
  - Connectivity testing of MP
  - Structured Market Trials
  - Unstructured Market Trials
  - Parallel Operations including Integrated Deployment Testing

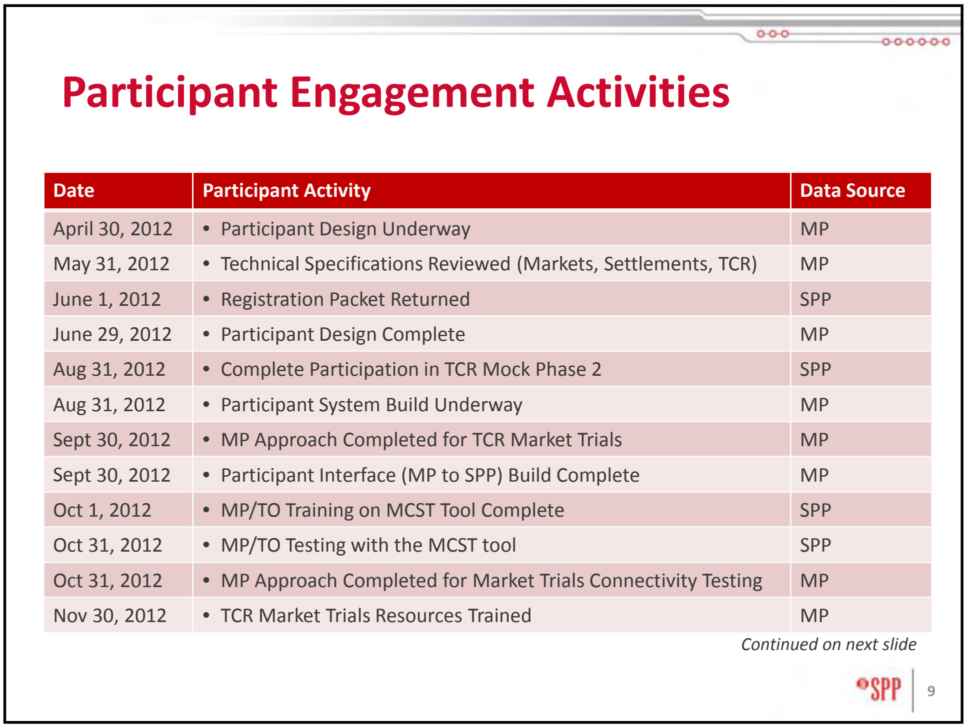
Assessment of actions to mitigate impacts

- Focusing resources on the more critical work and optimizing time
- Scheduling highly focused “sprints” to accomplish tasks sooner
- Locking down the program scope and eliminating work that isn’t absolutely necessary
- Completing assessment of implementation impacts based on available mitigation steps

Market Participant Engagement Reporting

- Monitor and report on Market Participant activities leading up to major program milestones such as the start of Market Trials Connectivity Testing and Market Trials Structured/Unstructured Testing
- Bridge the gap between the Participant Mobilization Metrics and reporting on the full set Integrated Marketplace Readiness Metrics

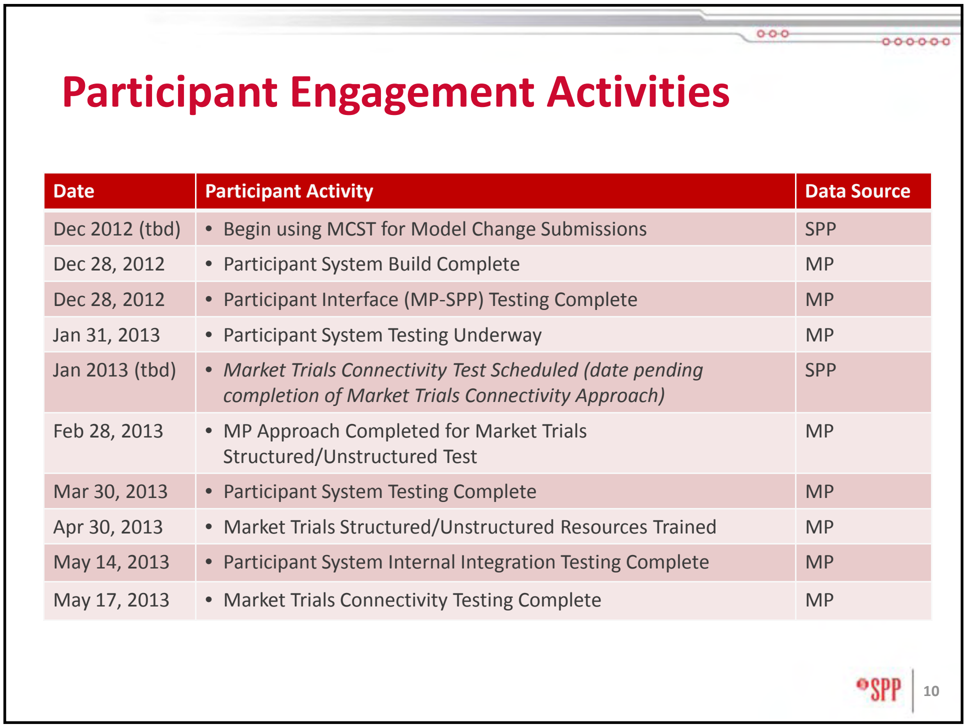




Participant Engagement Activities

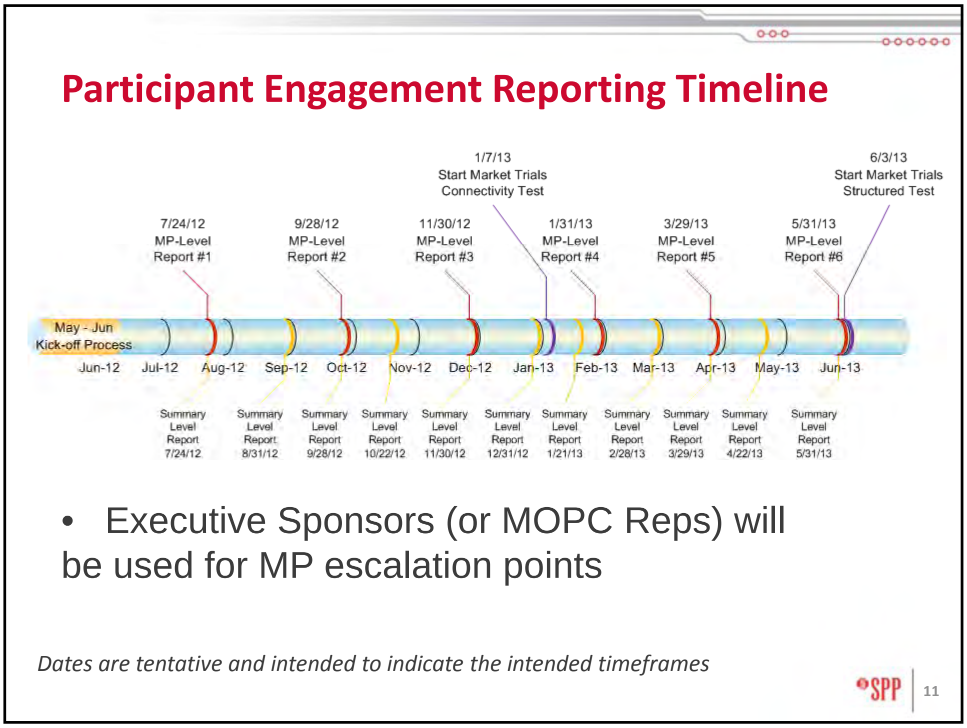
Date	Participant Activity	Data Source
April 30, 2012	• Participant Design Underway	MP
May 31, 2012	• Technical Specifications Reviewed (Markets, Settlements, TCR)	MP
June 1, 2012	• Registration Packet Returned	SPP
June 29, 2012	• Participant Design Complete	MP
Aug 31, 2012	• Complete Participation in TCR Mock Phase 2	SPP
Aug 31, 2012	• Participant System Build Underway	MP
Sept 30, 2012	• MP Approach Completed for TCR Market Trials	MP
Sept 30, 2012	• Participant Interface (MP to SPP) Build Complete	MP
Oct 1, 2012	• MP/TO Training on MCST Tool Complete	SPP
Oct 31, 2012	• MP/TO Testing with the MCST tool	SPP
Oct 31, 2012	• MP Approach Completed for Market Trials Connectivity Testing	MP
Nov 30, 2012	• TCR Market Trials Resources Trained	MP

Continued on next slide



Participant Engagement Activities

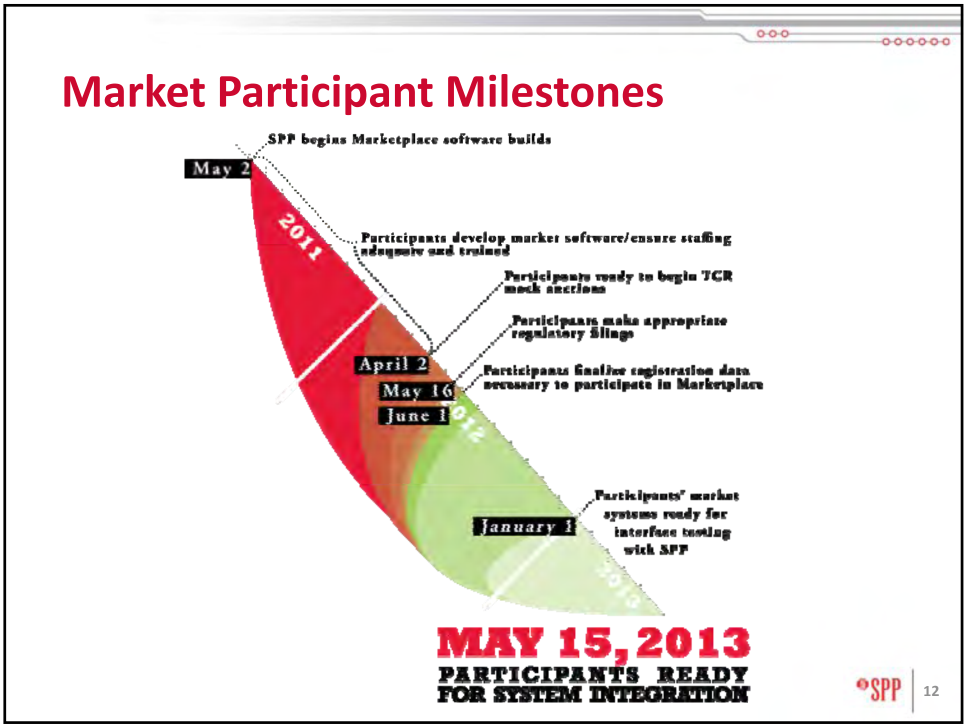
Date	Participant Activity	Data Source
Dec 2012 (tbd)	• Begin using MCST for Model Change Submissions	SPP
Dec 28, 2012	• Participant System Build Complete	MP
Dec 28, 2012	• Participant Interface (MP-SPP) Testing Complete	MP
Jan 31, 2013	• Participant System Testing Underway	MP
Jan 2013 (tbd)	• *Market Trials Connectivity Test Scheduled (date pending completion of Market Trials Connectivity Approach)*	SPP
Feb 28, 2013	• MP Approach Completed for Market Trials Structured/Unstructured Test	MP
Mar 30, 2013	• Participant System Testing Complete	MP
Apr 30, 2013	• Market Trials Structured/Unstructured Resources Trained	MP
May 14, 2013	• Participant System Internal Integration Testing Complete	MP
May 17, 2013	• Market Trials Connectivity Testing Complete	MP



Participant Engagement Reporting Timeline

- Executive Sponsors (or MOPC Reps) will be used for MP escalation points

Dates are tentative and intended to indicate the intended timeframes



Market Participant Milestones

MAY 15, 2013

PARTICIPANTS READY FOR SYSTEM INTEGRATION

Southwest Power Pool, Inc.

FINANCE COMMITTEE

Report to the Board of Directors

April 24, 2012

2011 Financial Audit Acceptance

Organizational Roster

The following persons are members of the Finance Committee:

Harry Skilton	Director
Larry Altenbaumer	Director
Carl Huslig	ITC Great Plains
Trudy Harper	Tenaska
Sandra Bennett	Southwestern Electric Power Company
Kelly Harrison	Westar Energy

Background

SPP annually engages a Certified Public Accounting firm to audit its financial statements and accounting controls. The SPP Finance Committee at its December 12, 2011 meeting approved the engagement of BKD, LLC to perform an audit of SPP's 2011 financial results.

Analysis

BKD, LLC has completed and published its audit of SPP's 2011 financial results. The Finance Committee, at its April 17, 2012 meeting met with representatives of BKD, LLC and discussed their findings, specifically focusing on: 1) adequacy of SPP's accounting policies and procedures, 2) adequacy of internal control procedures and the extent tested, and 3) any areas of weakness or concern that SPP should address going forward.

Recommendation

The Finance Committee recommends the SPP Board of Directors accept in its entirety the 2011 audit report and findings of BKD, LLC.

Approved: Finance Committee

Action Requested: Approve Recommendation

Southwest Power Pool, Inc.

Accountants' Report and Financial Statements

December 31, 2011 and 2010

BKD LLP
CPAs & Advisors

Contents

Independent Accountants' Report

Board of Directors
Southwest Power Pool, Inc.
Little Rock, Arkansas

We have audited the accompanying balance sheets of Southwest Power Pool, Inc. as of December 31, 2011 and 2010, and the related statements of operations, members' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Power Pool, Inc. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

April 17, 2012

Southwest Power Pool, Inc.

Balance Sheets

(In Thousands)

December 31, 2011 and 2010

Assets

	2011	2010
Current Assets		
Cash and cash equivalents	$ 73,763	$ 81,041
Restricted cash deposits	34,903	25,668
Accounts receivable	15,901	18,509
Prepaid expenses and other	6,636	3,351
Total current assets	131,203	128,569
Property and Equipment, At Cost		
Land	4,812	4,812
Building	5,965	5,695
Furniture and fixtures	4,613	4,395
Equipment and machinery	31,846	20,994
Leasehold improvements	1,309	1,283
Software	74,646	71,082
Software in development	34,351	10,689
Construction in progress	46,779	6,114
	204,321	125,334
Less accumulated depreciation and amortization	92,133	79,334
	112,188	46,000
Other Assets, Net	2,915	3,192
	$ 246,306	$ 177,761

See Notes to Financial Statements

Liabilities and Members’ Deficit

	2011	2010
Current Liabilities		
Accounts payable	$ 17,816	$ 10,348
Customer deposits	34,903	25,668
Current maturities of long-term debt *(Note 4)*	11,206	13,206
Accrued expenses	25,741	26,448
Deferred revenue	7,450	6,174
Total current liabilities	97,116	81,844
Long-term Debt *(Note 4)*	170,958	112,163
Other Long-term Liabilities	7,654	4,136
Members’ Deficit	(29,422)	(20,382)
	$ 246,306	$ 177,761

Southwest Power Pool, Inc.

Statements of Operations

(In Thousands)

Years Ended December 31, 2011 and 2010

	2011	2010
Operating Income		
Tariff fees and member assessments	$ 95,825	$ 86,563
Other member services	33,115	29,526
	128,940	116,089
Operating Expenses		
Salaries and benefits	64,514	56,896
Employee travel	1,655	1,424
Administrative	3,003	2,899
Regulatory assessment	16,639	14,101
Meetings	838	775
Communications system	3,204	3,079
Leases	1,624	1,707
Maintenance	7,308	6,354
Consulting services	16,124	14,366
Depreciation and amortization	13,107	14,243
	128,016	115,844
Operating Income	924	245
Other Income (Expense)		
Interest income	157	56
Interest expense	(6,307)	(3,619)
Change in fair market value of interest rate swaps	183	53
Other income (expense)	(21)	79
	(5,988)	(3,431)
Loss Before Change in Funded Status of Employee Benefit Plans	(5,064)	(3,186)
Change in Funded Status of Employee Benefit Plans	(3,976)	2,110
Net Loss	$ (9,040)	$ (1,076)

Southwest Power Pool, Inc.

Statements of Members' Deficit

Years Ended December 31, 2011 and 2010

	2011	2010
Balance, Beginning of Year	$ (20,382)	$ (19,306)
Net loss	(9,040)	(1,076)
Balance, End of Year	$ (29,422)	$ (20,382)

Southwest Power Pool, Inc.

Statements of Cash Flows

(In Thousands)

Years Ended December 31, 2011 and 2010

	2011	2010
Operating Activities		
Net loss	$ (9,040)	$ (1,076)
Items not requiring cash		
Depreciation and amortization	13,107	14,243
Impairment loss	152	
Change in funded status of employee benefit plans	3,976	(2,110)
Change in fair market value of interest rate swaps	(183)	(53)
Changes in assets and liabilities		
Accounts receivable	2,608	(3,426)
Prepaid expenses and other	(3,285)	(213)
Other assets	(121)	(1,120)
Accounts payable	7,468	(1,121)
Accrued expenses	569	5,594
Other long-term liabilities	67	96
Net cash provided by operating activities	15,318	10,814
Investing Activities		
Acquisition of property and equipment	(79,391)	(21,737)
Net cash used in investing activities	(79,391)	(21,737)
Financing Activities		
Repayments of long-term debt	(13,205)	(9,206)
Issuance of long-term debt	70,000	65,000
Net cash provided by financing activities	56,795	55,794
Increase (Decrease) in Cash and Cash Equivalents	(7,278)	44,871
Cash and Cash Equivalents, Beginning of Year	81,041	36,170
Cash and Cash Equivalents, End of Year	$ 73,763	$ 81,041
Supplemental Cash Flow Information		
Interest paid (net of interest capitalized of $1,943 and $224 in 2011 and 2010, respectively)	$ 6,498	$ 3,512

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Southwest Power Pool, Inc. (the Company) is a not-for-profit entity formed in 1941 and incorporated in 1994. The Company is a Federal Energy Regulatory Commission (FERC)-approved regional transmission organization (RTO) serving more than six million ultimate customers across all or parts of nine states. The Company's membership consists of investor-owned utilities, municipal systems, generation and transmission cooperatives, state authorities, independent power producers, contract participants, power marketers and independent transmission companies.

Major services provided by the Company to its members and customers include tariff administration, electric reliability coordination, regional transmission scheduling, energy imbalance service (EIS) market operations and regional transmission expansion planning.

The Company also serves as the Regional Entity (RE) for its region. The primary responsibility of the RE is the enforcement of North American Electric Reliability Corporation (NERC)-approved reliability standards for users, owners and operators of the bulk power system within the region.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Deposits (In Thousands)

The Company considers all highly liquid interest-earning investments with stated maturities and coupon rate reset dates of no more than three months to be cash equivalents. At December 31, 2011 and 2010, the Company's cash and cash equivalents, including restricted deposits, are invested primarily in money market funds, mutual funds and repurchase agreements. These investments are typically revalued to the market each day and, in the case of repurchase agreements, are collateralized by U.S. government and federal agency securities. The Company's cash and cash equivalents consist primarily of funds accumulated for general operating purposes. Restricted cash deposits consist primarily of customer security deposits, amounts deposited for engineering studies and funds held in escrow for disputed invoices.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to $250. At December 31, 2011, the Company's cash accounts did not exceed federally insured limits.

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions.

Income Taxes

The Company is exempt from income taxes under Section 501c(6) of the Internal Revenue Code and a similar provision of state law. However, the Company is subject to federal income tax on any unrelated business taxable income.

The Company files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Company is no longer subject to U.S. federal examinations by tax authorities for years before 2008.

Accounts Receivable

Accounts receivable are stated at the amount billed to members, customers and others plus any accrued and unpaid interest. The Company provides an allowance for doubtful accounts, when necessary, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts that are unpaid after the due date bear interest at a rate set by FERC. Interest continues to accrue until the account is paid or deemed uncollectible.

Property and Equipment (In Thousands)

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset. The estimated useful lives are as follows:

Building	20 years
Furniture and fixtures	5 years
Vehicles	5 years
Equipment and machinery	3 years
Software	3 years
Leasehold improvements	Shorter of useful life or lease term

The Company capitalizes interest cost incurred on funds used to construct property, plant and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset’s estimated useful life. Interest cost capitalized was $1,943 and $224 in 2011 and 2010, respectively.

The Company capitalizes development costs, including interest, for internal use software costs. These costs are included in software and software in development. Except as noted below, management of the Company is of the opinion that all costs capitalized in association with the software in development are fully recoverable over the anticipated life of the asset.

Long-lived Asset Impairment (In Thousands)

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds it fair value.

In 2011, management of the Company determined the system development completed in prior years for the Centralized Balancing Authority (CBA) is now obsolete technology, and therefore has no fair value. An impairment loss of $152 was recognized for the year ended December 31, 2011. The loss is included in consulting services in the accompanying Statement of Operations.

Revenue Recognition

Revenues, consisting of member assessments, tariff administrative fees, contract services and miscellaneous revenues, are recognized when earned and expenses are recognized when incurred.

Customer Deposits

Customers may be required to make deposits with the Company prior to the performance of transmission services and engineering studies. These amounts are typically held for the duration of the service and applied to the customer's final invoice. An offsetting liability equal to the deposit balance is recorded in current liabilities. Funds held in escrow related to disputed invoices are also recorded as a customer deposit under current liabilities.

Tariff Fees and Member Assessments (In Thousands)

An administrative charge is applied to all transmission service under the Company's tariff to cover the expenses related to the administration of the tariff. The charge is calculated in accordance with the terms of the Company's Open Access Transmission Tariff. The administrative rate used for the calculation is established by the board of directors.

Members are assessed monthly based on their prior year average 12-month peak demand multiplied by the total hours in a month and by the monthly assessment rate as established by the board. A member's monthly assessment is offset dollar for dollar for qualifying tariff administrative fees collected from a member in any given assessment period.

The Company collects a membership fee from each member annually. The amount of the membership fee is established by the board of directors of the Company. For 2011 and 2010, all members paid a $6,000 membership fee.

The Company also bills transmission customers and transmission owners a charge under schedule 12 on all energy delivered under point-to-point transmission service and network integration transmission service. This provides a mechanism for recovering from transmission customers and transmission owners the annual charges the Company pays to FERC. The rate is developed by

FERC in the prior calendar year and applied to energy transmitted in the second prior calendar year.

Deferred Revenue

Revenues for contract services received in advance are recognized over the periods to which the revenues relate.

Other Member Services

The Company provides reliability, tariff administration and scheduling for non-members on a contract basis.

Withdrawing Members

Members wishing to withdraw their membership from the Company must provide 12 months written notice and are responsible for their portion of the Company's existing obligations as defined in the bylaws, which include unpaid membership fees, any assessments imposed prior to the effective withdrawal date, any costs or expenses imposed upon the Company as a direct consequence of the member's withdrawal, and the member's share of long-term obligations and related interest.

Concentration of Credit Risk

The Company is exposed to credit risk primarily through accounts receivable and uninsured cash balances. During 2011 and 2010, the Company maintained cash balances that exceeded the insurance limits of the Federal Deposit Insurance Corporation. However, the Company requires the financial institutions holding its cash balances to be rated A or better by nationally recognized rating agencies.

Because the Company considers all accounts receivable to be highly probable of collection, an allowance for doubtful accounts is not maintained. The Company requires its customers to meet certain minimum standards of financial condition and creditworthiness to receive unsecured credit from the Company. If these standards cannot be met by a counterparty, the Company requires the posting of defined financial security instruments to cover potential liabilities.

Note 2: Line of Credit (In Thousands)

The Company has a $20,000 revolving line of credit expiring in 2013. At December 31, 2011 and 2010, no amounts were borrowed against this line. The agreement has a variable interest rate equal to the London Interbank Offered Rate (LIBOR) plus a credit margin. The Company's line of credit requires compliance with certain financial and non-financial covenants as well as periodic reporting requirements. The Company was in compliance with the covenant and reporting requirements throughout and at December 31, 2011.

Note 3: Significant Estimates and Concentrations

Current Economic Conditions

The current protracted economic decline continues to present organizations with difficult circumstances and challenges, which in some cases have resulted in large declines in fair value of assets, decrease in revenues, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Company.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments that could negatively impact the Company's ability to meet debt covenants or maintain sufficient liquidity.

Note 4: Long-term Debt and Interest Rate Swaps (In Thousands)

Long-term Debt

	2011	2010
4.78% Term Notes due 2011 (A)		5,000
Variable Rate Term Note due 2027 (B)	4,164	4,369
Variable Rate Term Note due 2014 (C)	16,000	21,000
5.45% Term Note due 2016 (D)	27,000	30,000
4.82% Term Notes due 2042 Series A (E)	30,000	30,000
4.82% Term Notes due 2042 Series B (F)	35,000	35,000
3.55% Term Notes due 2024 Series C (G)	70,000	
	182,164	125,369
Less current maturities	11,206	13,206
	$ 170,958	$ 112,163

(A) Due June 25, 2011; principal payable annually, beginning on June 25, 2007; interest payable semi-annually at 4.78%. The note agreement requires mandatory prepayments of outstanding principal upon withdrawal from the Company of various aggregates of membership. The Company was not subject to any mandatory prepayments during 2010 and 2011. The notes are unsecured.

(B) Due February 1, 2027; principal and interest are payable quarterly based on a 25-year amortization. Payments commenced on May 1, 2007. The interest rate adjusts monthly based on the London Interbank Offered Rate (LIBOR) plus 0.85%. The note is secured by a first mortgage on the Company's operation facility.

(C) Due December 25, 2014; interest is payable monthly and principal is payable quarterly based on a seven-year amortization. Payments commenced on March 25, 2008. The interest rate adjusts monthly based on the London Interbank Offered Rate (LIBOR) plus 0.30%. The note is unsecured.

(D) Due July 23, 2016; principal and interest are payable quarterly based on a seven-year amortization. Payments commenced on September 30, 2011. The interest rate is fixed at 5.45%. The note is unsecured.

(E) Due December 30, 2042; principal and interest are payable quarterly based on a 32-year amortization. Principal payments commence on March 30, 2013. The interest rate is fixed at 4.82%. The note is unsecured.

(F) Due December 30, 2042; principal and interest are payable quarterly based on a 32-year amortization. Principal payments commence on March 30, 2013. The interest rate is fixed at 4.82%. The note is unsecured.

(G) Due March 30, 2024; principal and interest are payable quarterly based on 13-year amortization. Principal payments commence on June 30, 2014. The interest rate is fixed at 3.55%. The note is unsecured.

Aggregate annual maturities of long term debt at December 31, 2011, are:

2012	$	11,206
2013		12,700
2014		17,998
2015		14,300
2016		11,353
Thereafter		114,607
	$	182,164

Certain of the Company's term notes require compliance with financial and non-financial covenants, as well as periodic reporting requirements. The Company was in compliance with the covenant and reporting requirements throughout and at December 31, 2011.

Variable-to-Fixed Interest Rate Swap

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Company entered into an interest rate swap agreement on September 15, 2006 with U.S. Bank National Association. The agreement provides for the Company to receive interest from the counterparty at LIBOR and to pay interest to the counterparty at a fixed rate of 5.51% on notional amounts of $4,131 and $4,335 at December 31, 2011 and 2010, respectively. Under the agreement, the Company pays or receives the net interest amount quarterly, with the quarterly settlements included in interest expense. The swap was established to hedge interest rate risk on its floating rate debt obligation (Loan B).

The Company entered into another interest rate swap agreement on August 23, 2007, with U.S. Bank National Association. The agreement provides for the Company to receive interest from the counterparty at LIBOR and to pay interest to the counterparty at a fixed rate of 5.31% on notional amounts of $16,000 and $21,000 at December 31, 2011 and 2010, respectively. Under the agreement, the Company pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The swap was established to hedge interest rate risk on its floating rate debt obligation (Loan C).

The table below presents certain information regarding the Company's interest rate swap agreements.

	2011	2010
Fair value of interest rate swap agreements	$ 2,531	$ 2,714
Balance sheet location of fair value amounts	Other Long-term Liabilities	Other Long-term Liabilities
Gain recognized in statement of operations	$ 183	$ 53
Location of gain recognized in statement of operations	Change in Fair Market Value of Interest Rate Swaps	Change in Fair Market Value of Interest Rate Swaps

Note 5: Operating Leases (In Thousands)

The Company has noncancellable operating leases for office space and certain office equipment, which expire at various times through 2014. The Company incurred lease expense related to these operating leases of $1,624 and $1,707 in 2011 and 2010, respectively.

Future minimum lease payments at December 31, 2011, were:

2012	$ 1,563
2013	743
2014	246
	$ 2,552

Note 6: Employee Benefit Plans (In Thousands)

Pension and Other Postretirement Benefit Plans

The Company has a noncontributory defined benefit pension plan covering all employees meeting eligibility requirements. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. The Company expects to contribute approximately $3,600 to the plan in 2012.

The Company has a noncontributory defined benefit postretirement health care plan covering eligible retirees, including those retiring between the ages of 55-65 and hired prior to January 1, 1996. Employees hired after June 1, 2006, are not eligible to participate in the defined postretirement health care plan. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. The Company expects to contribute approximately $444 to the plan in 2012.

The Company uses a December 31 measurement date for the plans. Information about the plans' funded status is as follows:

	Pension Benefits		Postretirement Health Care Benefits	
	2011	2010	2011	2010
Benefit obligation	$ 28,921	$ 23,862	$ 5,950	$ 5,298
Fair value of plan assets	25,263	23,536	6,751	6,440
Funded status	$ (3,658)	$ (326)	$ 801	$ 1,142

Amounts recognized in the balance sheets:

	Pension Benefits		Postretirement Health Care Benefits	
	2011	2010	2011	2010
Noncurrent assets	$ -	$ -	$ 801	$ 1,142
Noncurrent liabilities	(3,658)	(326)	-	-
	$ (3,658)	$ (326)	$ 801	$ 1,142

Amounts recognized in members' equity not yet recognized as components of net periodic benefit cost as of December 31, 2011, consist of:

	Pension Benefits	Postretirement Health Care Benefits
Net (gain)/loss	$ 6,457	$ (810)
Prior service credit	(19)	-
Transition obligation	148	40
	$ 6,586	$ (770)

The accumulated benefit obligation for the defined benefit pension plan was $22,317 and $18,104 at December 31, 2011 and 2010, respectively.

Other significant balances and costs are:

	Pension Benefits		Postretirement Health Care Benefits	
	2011	**2010**	**2011**	**2010**
Employer contributions	$ 3,133	$ 3,122	$ 445	$ 511
Benefits paid	144	129	20	20
Benefit costs	2,830	2,763	445	511

The following amounts have been recognized in the statements of operations for the year ended December 31, 2011:

	Pension Benefits	Postretirement Health Care Benefits
Amounts arising during the period		
Net gain or (loss)	$ (2,900)	$ (77)
Amounts recognized as components of net periodic benefit cost of the period		
Net (gain) or loss	25	(26)
Net prior service credit	1	-
Net transition obligation	16	4

The estimated net loss, prior service cost and transition obligation for the defined benefit pension plan that will be amortized from members' equity into net period benefit cost over the next fiscal year are $210, $1 and $16, respectively. There is no prior service credit for the defined benefit postretirement health care plan that will be amortized from members' equity into net periodic benefit cost over the next fiscal year.

Weighted-average assumptions used to determine benefit obligations and costs:

	Pension Benefits		Postretirement Health Care Benefits	
	2011	**2010**	**2011**	**2010**
Discount rate Benefit Obligation	6.25%	6.5%	6.25%	6.5%
Expected return on plan assets	7.0%	7.0%	7.0%	7.0%
Rate of compensation increase	4.25%	4.5%	-	-

The Company has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

For measurement purposes, a 10% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2011 and 2010. The rate was assumed to decrease gradually to 5% by the year 2017 and remain at that level thereafter.

On December 8, 2003, the *Medicare Prescription Drug, Improvement and Modernization Act of 2003* (the Act) was signed into law. The Act introduces a prescription drug benefit under Medicare Part D, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide benefits at least actuarially equivalent to Medicare Part D. The Company has not determined whether its plan provides benefits that are actuarially equivalent to Medicare Part D.

Financial Accounting Standards Board Staff Position 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2005*, subsequently incorporated into FASB Accounting Standards Codification (ASC) 715-60, requires federal subsidies, if any, attributable to past service to be accounted for as an actuarial gain and federal subsidies, if any, attributable to current service to be accounted for as a reduction of net periodic benefit cost. The measures of projected benefit obligation and periodic benefit costs do not reflect any amounts associated with the subsidy because the Company has been unable to conclude whether the benefits provided by the plan are actuarially equivalent to Medicare Part D. The effect of adopting the provisions of ASC 715-60, if and when the Company makes such a determination, is not expected to be material.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31:

	Pension Benefits	Postretirement Health Care Benefits
2012	$ 236	$ 58
2013	348	87
2014	440	104
2015	552	119
2016	656	134
2017–2021	5,817	1,457

The Company's investment strategy is based on an expectation that equity securities will outperform fixed income securities over the long-term. Accordingly, the composition of the Company's plan assets is broadly characterized as a 70/30 allocation between equity and fixed income securities. The strategy utilizes indexed and actively managed mutual fund instruments as well as direct investment in individual equity and fixed income securities. Investments in the plans must adhere to the Investment Policy Statement developed by the Company. The Investment Policy Statement limits investments in foreign securities to 20% of the total fair value of plan assets. The Investment Policy Statement is reviewed annually. At December 31, 2011 and 2010, plan assets by category are as follows:

	Pension Plan Assets		Postretirement Health Care Plan Assets	
	2011	2010	2011	2010
Fixed income securities	14%	15%	30%	28%
Equity securities	74	75	67	71
Cash and equivalents	12	10	3	1
	100%	100%	100%	100%

Pension and Other Postretirement Plan Assets

Following is a description of the valuation methodologies used for the pension and postretirement plan assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of the assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include cash, money market accounts, mutual funds and common stock. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include foreign company stock, corporate debt obligations, foreign corporate debt obligations, government securities and foreign government securities. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. At December 31, 2011, the Company does not hold any plan assets valued using Level 3 inputs.

The fair values of the Company's pension plan assets at December 31, 2011, by asset category are as follows:

		Fair Value Measurements Using		
Asset Category	**Total Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash	$ 3	$ 3	$ -	$ -
Money market mutual funds	343	343	-	-
Mutual funds				
Foreign large blend	565	565	-	-
Mid cap value	1,180	1,180	-	-
Mid cap growth	3,031	3,031	-	-
Small cap growth	922	922	-	-
Large growth	3,572	3,572	-	-
Common stock				
Industrial materials	1,368	1,368	-	-
Consumer goods	670	670	-	-
Energy	1,375	1,375	-	-
Healthcare services	1,677	1,677	-	-
Hardware	25	25	-	-
Business services	464	464	-	-
Foreign company stock				
Industrial materials	1,087	-	1,087	-
Hardware	508	-	508	-
Business services	204	-	204	-
Energy	879	-	879	-
Financial services	811	-	811	-
Telecommunications	83	-	83	-
Healthcare services	223	-	223	-
Corporate debt obligations	2,668	-	2,668	-
Foreign corporate debt obligations	616	-	616	-
Government securities	2,989	-	2,989	-
Total	$ 25,263	$ 15,195	$ 10,068	$ 0

The fair values of the Company's pension plan assets at December 31, 2010, by asset category are as follows:

		Fair Value Measurements Using		
Asset Category	**Total Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash	$ 3	$ 3	$ -	$ -
Money market mutual funds	267	267	-	-
Mutual funds				
Foreign large blend	535	535	-	-
Mid cap value	704	704	-	-
Mid cap growth	1,638	1,638	-	-
Large growth	5,072	5,072	-	-
Common stock				
Industrial materials	2,324	2,324	-	-
Consumer goods	117	117	-	-
Financial services	604	604	-	-
Energy	1,361	1,361	-	-
Healthcare services	1,111	1,111	-	-
Hardware	48	48	-	-
Business services	99	99	-	-
Foreign company stock				
Industrial materials	1,501	-	1,501	-
Hardware	334	-	334	-
Business services	235	-	235	-
Energy	682	-	682	-
Financial services	770	-	770	-
Consumer goods	231	-	231	-
Telecommunications	90	-	90	-
Healthcare services	197	-	197	-
Corporate debt obligations	2,350	-	2,350	-
Foreign corporate debt obligations	580	-	580	-
Government securities	2,381	-	2,381	-
Foreign government securities	302	-	302	-
Total	$ 23,536	$ 13,883	$ 9,653	$ 0

Southwest Power Pool, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

The fair value of the Company's other postretirement benefit plan assets at December 31, 2011, by asset category are as follows:

		Fair Value Measurements		
Asset Category	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash	$ 8	$ 8	$ -	$ -
Money market mutual funds	190	190	-	-
Mutual funds				
Equities				
Foreign large blend	249	249	-	-
Foreign large growth	248	248	-	-
Mid cap value	154	154	-	-
Mid cap growth	356	356	-	-
Small cap value	140	140	-	-
Small blend	149	149	-	-
Real estate	327	327	-	-
Emerging markets	203	203	-	-
Commodities	298	298	-	-
Fixed income				
Bond funds	1,735	1,735	-	-
Inflation protected	280	280	-	-
Common stock				
Industrial materials	293	293	-	-
Consumer goods & services	553	553	-	-
Financial services	180	180	-	-
Energy	222	222	-	-
Healthcare services	321	321	-	-
Hardware	125	125	-	-
Business services	235	235	-	-
Software	60	60	-	-
Telecommunications	84	84	-	-
Media	59	59	-	-
Utilities	107	107	-	-
Foreign company stock				
Business services	69	-	69	-
Financial services	56	-	56	-
Energy	50	-	50	-
Total	$ 6,751	$ 6,576	$ 175	$ 0

The fair value of the Company's other postretirement benefit plan assets at December 31, 2010, by asset category are as follows:

		Fair Value Measurements		
Asset Category	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash	$ 2	$ 2	$ -	$ -
Money market mutual funds	78	78	-	-
Mutual funds				
Equities				
Foreign large blend	311	311	-	-
Foreign large growth	287	287	-	-
Mid cap value	266	266	-	-
Mid cap growth	278	278	-	-
Small cap value	142	142	-	-
Small blend	142	142	-	-
Real estate	422	422	-	-
Emerging markets	204	204	-	-
Commodities	382	382	-	-
Fixed income				
Bond funds	183	183	-	-
Inflation protected	1,634	1,634	-	-
Common stock				
Industrial materials	323	323	-	-
Consumer goods & services	390	390	-	-
Financial services	207	207	-	-
Energy	186	186	-	-
Healthcare services	251	251	-	-
Hardware	142	142	-	-
Business services	61	61	-	-
Software	166	166	-	-
Telecommunications	128	128	-	-
Media	31	31	-	-
Utilities	66	66	-	-
Foreign company stock				
Business services	63	-	63	-
Financial services	50	-	50	-
Energy	45	-	45	-
Total	$ 6,440	$ 6,282	$ 158	$ 0

Defined Contribution Plans

The Company has a 401(k) defined contribution plan covering substantially all employees. The Company contributes funds to the plan on behalf of plan participants equal to 75% of the participants' elective deferrals up to 6% of deferred compensation. Contributions to the plan were $1,966 and $1,658 for 2011 and 2010, respectively.

The Company has a 457(b) non-qualified tax-deferred compensation plan. This plan is an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly-compensated employees and, therefore, is intended to be exempt from the participation, vesting, funding and fiduciary requirements of Title I of ERISA. Accumulated contributions and earnings of $775 and $652 are recorded in other long-term liabilities at December 31, 2011 and 2010, respectively. The Company also offers a 457(f) non-qualified tax-deferred compensation plan to a select group of executive management. The 457(f) plan is intended to be exempt from the participation, vesting, funding and fiduciary requirements of Title I of ERISA and serves to further supplement benefits lost due to IRS limits on compensation and benefits. Accrued benefits of $691 and $443 are recorded in other long-term liabilities for the 457(f) plan participants at December 31, 2011 and 2010, respectively.

Note 7: Related Party Transactions (In Thousands)

General disbursements of the Company are apportioned to members based on the formula described in the bylaws of the Company (see *Note 1*). The Company's receivables from members totaled $8,984 and $9,986 as of December 31, 2011 and 2010, respectively. The Company recognized revenues of $88,257 and $84,698, including assessments and tariff administrative fees, from members for the years ended December 31, 2011 and 2010, respectively.

The Southwest Power Pool Regional State Committee (RSC) was incorporated on April 7, 2004, in the State of Arkansas. The RSC is comprised of commissioners from public service commissions or equivalent, having regulatory authority over Company members. FERC, in its February 20, 2004, order regarding the Company's RTO application, stated, "the RSC should have primary responsibility for determining regional proposals and the transition process for funding of regional transmission enhancements, rate structure for a regional access charge and allocation of transmission rights." The RSC prepares budgets annually for the expected costs of its operations. This budget is submitted to the Company's board of directors for approval. The Company includes in its annual budget funds sufficient to cover 100% of the operating costs of the RSC. During 2011 and 2010, the Company incurred $311 and $178, respectively, in expenses attributable to RSC operations. Management of the Company expects such expenditures for 2012 to be approximately $394.

Note 8: Open Access Transmission and EIS Market Operations (In Thousands)

The Company provides short- and long-term firm and non-firm point-to-point transmission services and network integration transmission service across 15 providers in nine states. The Company is responsible for the billing of the transmission customers for the respective services and the remittance of the subsequent collections to the transmission owner on a monthly basis. Billings for these transmission services are not included in the statements of operations. The Company receives a fee for facilitating the transmission process, which is recorded as tariff fees in the Company's statements of operations. For the years ended December 31, 2011 and 2010, the Company billed transmission customers $944,613 and $698,748, respectively. For the years ended December 31, 2011 and 2010, the Company remitted to transmission owners $864,380 and $627,931, respectively. At December 31, 2011 and 2010, the Company was due to collect from customers and remit to owners transmission service charges of $71,590 and $53,810, respectively.

The Company's EIS market is a wholesale market that operates under a tariff approved by FERC and is consistent with the mandate of the FERC Order No. 2000, which requires RTOs to provide real-time energy imbalance services and market monitoring functions. Weekly settlements of market participants' energy transactions are not reflected in the Company's statements of operations since they do not represent revenues or expenses of the Company as the Company merely acts as an intermediary in the settlement process. In this role, the Company receives and disburses funds to/from market participants on a weekly basis.

Note 9: Commitments and Contingencies (In Thousands)

Litigation and Regulatory Matters

The Company is engaged in various regulatory proceedings at both the federal and state levels. The Company is also subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such proceedings, claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Company.

Construction Contract

The Company entered into a $52,691 contract for the construction of a new facility. The remaining commitment on the contract at December 31, 2011 was approximately $13,517.

Integrated Marketplace Contracts

The company entered into long term contracts totaling $72,491 with numerous vendors for the development of various components of systems that will comprise the Integrated Marketplace. The remaining commitment on these contracts at December 31, 2011 was approximately $54,331.

Building Lease Decommissioning

The Company is constructing a new corporate campus and expects to complete the employee migration to the new facility in July 2012. The Company is currently leasing office space that will expire on September 30, 2012. In accordance with the lease agreement, the Company has agreed to pay a vacation services fee to the lessor in 2012 upon vacating the rented office space. An expense of $631 was recognized for the year ended December 31, 2011 and is included in consulting services in the accompanying Statement of Operations.

Note 10: Disclosures About Fair Value of Financial Instruments (In Thousands)

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
Level 3	Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Interest Rate Swap Agreements

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy. At December 31, 2011 and 2010, the fair value measurement of the interest rate swaps as recognized in the accompanying balance sheets was a liability of $2,531 and $2,714, respectively.

Cash Equivalents

The fair value of money market mutual funds included in cash equivalents are estimated using quoted prices in active markets for identical assets or liabilities. At December 31, 2011 and 2010, the fair value measurement of the cash equivalents as recognized in the accompanying balance sheets was $12,636 and $4,261, respectively.

The Company has no assets or liabilities measured and recognized in the accompanying balance sheets on a nonrecurring basis.

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value.

Restricted Cash Deposits

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Customer Deposits

The carrying amount is a reasonable estimate of fair value.

Long-term Debt

Fair value is estimated based on the borrowing rates currently available to the Company for bank loans with similar terms and maturities.

The following table presents estimated fair values of the Company's financial instruments at December 31, 2011 and 2010.

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 73,763	$ 73,763	$ 81,041	$ 81,041
Restricted cash deposits	34,903	34,903	25,668	25,668
Financial liabilities				
Customer deposits	34,903	34,903	25,668	25,668
Long-term debt	182,164	171,540	125,369	101,799
Swap agreements	2,531	2,531	2,714	2,714

Note 11: Subsequent Events (In Thousands)

Subsequent events have been evaluated through the date of the Independent Accountants' report, which is the date the financial statements were available to be issued.

Finance Committee and Board of Directors
Southwest Power Pool, Inc.
Little Rock, Arkansas

As part of our audit of the financial statements of Southwest Power Pool, Inc. (the Company) as of and for the year ended December 31, 2011, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor’s Responsibility Under Auditing Standards Generally Accepted in the United States of America

An audit performed in accordance with auditing standards generally accepted in the United States of America is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practice

Significant Accounting Policies

The Company’s significant accounting policies are described in Note 1 of the audited financial statements.

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Pension and postretirement health benefit liabilities
- Recoverability of property and equipment
- Interest rate swap agreements

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Pension and other postretirement benefit plans

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

Disagreements with Management

No matters are reportable.

Significant Issues Discussed with Management

Prior to Retention

No matters are reportable.

During the Audit Process

No matters are reportable.

Other Material Written Communications

Listed below are other material written communications between management and us related to the audit:

- Management representation letter (attached)

OTHER MATTERS

Although not considered material weaknesses, significant deficiencies or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters that came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements if you require.

The current protracted economic decline continues to present difficult circumstances and challenges, which in some cases have resulted in large declines in the fair value of assets, decreases in revenues, constraints on liquidity and difficulty obtaining financing. The values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments that could impact the Company’s ability to meet covenants or maintain sufficient liquidity.

We recommend that management and the board of directors vigilantly monitor and aggressively manage all of these matters, including:

- Challenge the quality of values of investments
- Review and monitor creditworthiness of customers and/or members
- Evaluate financing needs and liquidity plans
- Monitor depository relationships

This communication is intended solely for the information and use of the finance committee, the board of directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

April 17, 2012

Attachment

DRAFT

Client: Southwest Power Pool, Inc.

Period Ending: December 31, 2011

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

	Type of	Assets		Liabilities		(X)	Revenues &	Costs &	Retained Earnings	Net Effect on Following Year	
	Adjustment	*Current*	*Non-Current*	*Current*	*Non-Current*	Non	Income	Expenses	*(Beg. of year)*	*Net Loss*	*Retained Earnings*
Description	**(Known or Likely)**	DR (CR)	DR (CR)	DR (CR)	DR (CR)	**Tax**	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)
Priior Year											
Underaccrual of FERC asset and associated revenues in the CY	**Known**						249,894		(249,894)		
Overaccrual of miscellaneous liabilities	**Known**							55,779	(55,779)		
Current Year											
Underaccrual of Accounts Payable		802,985		(802,985)							
Underaccrual of the Schedule 12 revenue billing (i.e.FERC assessment in the CY).	**Known**	205,552					(205,552)				
To record retainage on Nabholtz contract for December 2011	**Known**	2,530,050		(2,530,050)							
Taxable passed adjustments		[redacted]	[redacted]	[redacted]	[redacted]		44,342	55,779	(305,673)		
Times (1 - estimated tax rate of 00%)		[redacted]	[redacted]	[redacted]	[redacted]		100%	100%	100%		
Taxable passed adjustments net of tax impact		[redacted]	[redacted]		[redacted]		44,342	55,779	(305,673)		
Nontaxable passed adjustments		3,538,587		(3,333,035)							
Total passed adjustments, net of tax impact (if any)		3,538,587		(3,333,035)			44,342	55,779	(305,673)		

Impact on Net Loss	**100,121**
Impact on Retained Earnings	**(205,552)**

BKD
AWP335
03-2011

Southwest Power Pool, Inc.
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	131,202,653	3,538,587	134,741,240	2.70%
Non-Current Assets	115,102,940		115,102,940	
Current Liabilities	(97,115,717)	(3,333,035)	(100,448,752)	3.43%
Non-Current Liabilities	(178,612,351)		(178,612,351)	
Current Ratio	1.351	[redacted]	1.341	-0.74%
Total Assets	246,305,593	3,538,587	249,844,180	1.44%
Retained Earnings	29,422,475	(205,552)	29,216,923	-0.70%
Revenues & Income	(129,280,326)	44,342	(129,235,984)	-0.03%
Costs & Expenses	138,320,746	55,779	138,376,525	0.04%
Net Loss	9,040,420	100,121	9,140,541	1.11%

Southwest Power Pool, Inc.

FINANCE COMMITTEE

Recommendation to the Board of Directors

April 24, 2012

2012 Defined Benefit Pension Plan and Retiree Healthcare Plan Funding

Organizational Roster

The following persons are members of the Finance Committee:

Harry Skilton	Director
Larry Altenbaumer	Director
Carl Huslig	ITC Great Plains
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, 2012.

Analysis

SPP Defined Benefit Retirement Plan

The report identifies 2012 accounting expense for this plan as well as minimum and maximum contributions for the plan. The Actuary determined 2012's minimum contribution level to be $2,611[1] and maximum suggested level to be $3,892. SPP's 2012 budget anticipated contributions to the defined benefit pension plan of $3,600.

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

	2008	2009	2010	2011	2012
Maximum Contribution (tax deductible)	$3,394	$13,100	$7,267	$9,214	$16,877
Minimum Contribution	0	0	0	2,230	2,611
Actuary Suggested Contribution	2,377	3,121	3,173	3,132	3,892
Actual Contribution	2,500	3,000	3,122	3,133	
Projected Benefit Obligation (PBO)	$17,112	$20,064	$23,862	28,921	
Accumulated Benefit Obligation (ABO)	12,786	15,211	18,104	22,317	
Fair Value of Plan Assets	11,023	17,822	23,536	25,263	
Discount Rate[2]	6.50%	6.50%	6.75%	6.50%	6.25%
Funded Status vs. PBO	-$6,098	-$2,242	-$326	-3,658	
Funded Status vs. ABO	-1,763	2,611	5,758	2,946	

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[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 $25,263 versus an Accumulated Benefit Obligation of $22,317, Projected Benefit Obligation of $28,921 and termination value of approximately $24,000. The Actuary estimates participants active on January 1, 2012 will accrue $2,500 in benefits during fiscal year 2012; including participants added during 2012, benefits accrued during 2012 are expected to total $2,987. Finally, the value of the early retirement feature of the Defined Benefit Retirement Plan is estimated to be $3,000.

SPP Post-retirement Benefits Plan

In 1995, the Board of Directors approved retiree medical coverage for all SPP employees who retire at their Normal Retirement Date as defined in the SPP Defined Benefit Retirement Plan. The Board also awarded benefits under this plan to those employees of record on January 1, 1996 who retire between the ages of 55 - 65. The SPP Board acted in 2006 to limit benefits from this plan to only those employees hired prior to June 1, 2006. As of January 1, 2012 SPP had 146 active employees covered by this plan and 5 retirees.

The Actuary estimated 2012 net periodic post retirement benefit cost to be $469. This computation is based on a 6.25% discount rate, and a 7% investment return on plan assets, and retirement at age 65. The health care cost trend was assumed to increase 10% next year, 9% the year after and so on down to 5% and remain there thereafter. SPP's 2012 budget allocates $444 in funding for post retirement benefits. SPP has used the net periodic post-retirement benefit cost as a proxy for determining the amount of contribution to the plan annually.

	2007	**2008**	**2009**	**2010**	**2011**
Actual Contribution	$629	$586	$633	$511	$445
Pension Cost	629	586	633	511	445
Accumulated Benefit Obligation (ABO)	$4,046	$4,359	$4,640	$5,298	$5,950
Fair Value of Plan Assets	4,363	3,625	5,228	6,440	6,751
Funded Status vs. ABO	$317	-$734	$588	$1,142	$801
Plan Participants – Active	178	164	158	149	146
Plan Participants – Retired	2	2	2	4	5

Recommendation

Approve 2012 funding of the SPP Post-retirement Benefits Plan at $469.

Approve 2012 funding of the SPP Retirement plan at $3,892.

Approved: Finance Committee April 17, 2012

Action Requested: Approve Recommendation

SOUTHWEST POWER POOL
RETIREMENT PLAN

ACTUARIAL VALUATION
AS OF JANUARY 1, 2012

Osborn, Carreiro & Associates, Inc.

ACTUARIES · CONSULTANTS · ANALYSTS

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

April 4, 2012

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

Dear Mr. Dunn:

This report presents the results of our actuarial valuation of the assets and liabilities of the Southwest Power Pool, Inc. Retirement Plan as of January 1, 2012.

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

	1/01/2010	1/01/2011	1/01/2012
Individuals included	468	517	583
Total Salary	$ 34,997,742	$ 37,913,643	$ 43,465,292
Net Plan Assets	$ 17,822,299	$ 23,536,306	$ 25,263,122
Contribution Levels	2010	2011	2012
Maximum tax deductible under Pension Protection Act '06	$ 7,266,619	$ 9,214,042	$ 16,877,212
"Old" Maximum/Suggested	3,173,115	3,131,525	3,891,701
Minimum required	0	2,230,398	2,611,168
Pension "expense" under accounting rules	$ 2,762,552	$ 2,830,437	$ 3,642,651

Current Status of the Plan

The contribution for the 2012 Plan Year must be between $ 2,611,168 and $ 16,887,212. At least the minimum must be paid by September 15, 2013.

The minimum contribution has gone up primarily due to a decrease in the discount rates prescribed for its calculation and the negative investment return for the year.

The "suggested contribution" and the pension expense have both increased since last year:

	Suggested Contribution	Pension Expense
(1) 2011 Amount	$3,131,000	$2,830,000
(2) Change due to:		
(a) 2011 Investment Loss	+ 487,000	+ 180,000
(b) More participants	+ 401,000	+ 421,000
(c) Decrease in discount rate	N/A	+ 108,000
(d) Other	- 127,000	+ 103,000
(3) 2012 Amount	$3,892,000	$3,642,000

Some Considerations for Determining Contribution Levels

It is often helpful to review the status of a retirement plan in terms of how much money would be required if the plan were terminated. If your plan were terminated on January 1, 2012, I estimate that the total liability would be about $24 million (using a 5.00% discount rate). This compares to assets of about $25 million. However, be aware of three items:

(1) During the 2012 year, employees will accrue additional benefits worth about $2.5 million.

(2) These numbers DO NOT include the value of the subsidized early retirement feature. This subsidy applies when an active employee retires after age 55 (provided the employee was age 45 and had 5 years of service by December 31, 2006 – current 38 people). It does not apply when an employee terminates before age 55. The current value of this subsidy is about $3 million.

(3) The discount rate of 5.00% changes over time with the markets. If the rate goes down, the termination liability will go up.

For the past three years, you decided to contribute the "Old" Maximum (i.e., before the Pension Protection Act of 2006), plus the cost for anticipated new hires. Following that same methodology, the contribution for 2012 would be $3,892,000 (the "suggested" amount).

Top-Heavy Status

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

Pension Cost for Accounting Purposes

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

The 2012 Net Periodic Pension Cost is $3,642,651.

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

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

Report Format

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

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

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

Sincerely,

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

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EXHIBITS:

APPENDICES:

Exhibit 1

Executive Summary

		1/1/2010	1/1/2011	1/1/2012
1.	Individuals included in report			
	a. Active	418	456	514
	b. Inactive	50	61	69
	c. Covered Payroll	$ 34,997,742	$ 37,913,643	$ 43,465,292
2.	Normal Cost Amount	$ 2,556,156	$ 2,726,090	$ 3,141,507
	Normal Cost Rate	7.30%	7.19%	7.23%
3.	Assets	$ 17,822,299	$ 23,536,306	$ 25,263,122
	Investment Return for year	31.5%	14.1%	- 5.0%
4.	Funding Levels			
	Maximum under Pension Protection Act	$ 7,266,619	$ 9,214,042	$ 16,887,212
	Suggested	$ 3,173,115	$ 3,131,525	$ 3,891,701
	Minimum	$ 0	$ 2,230,398	$ 2,611,168
5.	Accounting Information (for use in auditor's report)			
	a. Present Value of Vested Benefits	$ 11,657,277	$ 14,821,930	$ 18,404,187
	b. Present Value of Non-Vested Benefits	3,553,301	3,282,026	3,913,054
	c. Present Value of Accumulated Benefits	$ 15,210,578	$ 18,103,956	$ 22,317,241
	d. Pension Cost per SFAS No. 87	$ 2,762,552	$ 2,830,437	$ 3,642,651
6.	Top-Heavy Ratio	24.1%	18.6%	21.8%

Exhibit 2

Summary of Financial Information

	Plan Year Ending December 31,		
	2009	2010	2011
A. INCOME			
1. Contributions			
Employee	$ 0	$ 0	$ 0
Employer	2,999,997	3,121,927	3,133,122
Other	0	0	0
2. Investment Income			
a. Interest and Dividends	311,914	407,414	485,128
b. Realized Gains	- 112,219	88,683	473,888
c. Unrealized Appreciation	3,802,445	2,347,414	- 2,071,695
d. Investment Expenses	- 81,372	- 121,806	- 149,722
e. Subtotal	3,920,768	2,721,705	- 1,262,401
TOTAL	$ 6,920,765	$ 5,843,632	$ 1,870,721
B. EXPENSES			
1. Administrative	$ 0	$ 0	$ 55
2. Monthly Benefits	121,467	129,625	143,850
3. Lump Sum Benefits	0	0	0
TOTAL	$ 121,467	$ 129,625	$ 143,905

Exhibit 2 - Continued

	12/31/2009	12/31/2010	12/31/2011
C. ASSETS (Market Basis)			
1. Short Term			
Cash	$ 2,932	$ 2,580	$ 2,538
Money Market Funds	1,053,156	267,422	343,284
2. U.S. Treasury Bills	1,049,990	1,999,960	2,749,758
3. Fixed Income Assets			
Government	671,346	376,952	237,455
Corporate	2,017,183	3,179,801	3,232,982
4. Common Stock	7,091,072	9,692,591	9,358,740
5. Mutual Funds			
Fixed Income	0	0	0
Equity	5,887,476	7,949,373	9,269,538
5. Other			
Contribution Receivable	0	0	0
Benefits payable	0	0	0
Accrued Interest	49,144	67,627	68,827
Other	0	0	0
TOTAL	$ 17,822,299	$ 23,536,306	$ 25,263,122
D. Net Investment Return:	31.5%	14.1%	- 5.0%

Exhibit 2 - Continued

	1/1/2010	1/1/2011	1/1/2012
E. INFORMATION FOR PBGC FORM 1 SCHEDULE A			
1. Interest Assumption	2.35% 5.65% 6.45%	1.98% 5.23% 6.52%	2.07% 4.45% 5.24%
2. Present Value of Vested Benefits	$ 13,217,566	$ 16,688,347	$ 23,983,760
3. Adjusted Market Value of Assets	17,822,299	23,536,306	25,263,122
4. Unfunded Vested Benefits	$ 0	$ 0	$ 0
5. Rounded to next higher $1,000	0	0	0
6. 0.9% of (5)	$ 0.00	$ 0.00	$ 0.00

Exhibit 3

Accounting Information

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

Statement of Accumulated Plan Benefits

	1/01/2011	1/01/2012
Investment Return Assumption	6.50%	6.25%
Actuarial present value of accumulated plan benefits		
Vested Benefits		
Participants currently receiving benefits	$ 1,589,405	$ 1,739,662
Other Participants	13,232,525	16,664,525
	$ 14,821,930	$ 18,404,187
Non-Vested Benefits	3,282,026	3,913,054
Total actuarial present value of accumulated plan benefits	$ 18,103,956	$ 22,317,241

Statement of Changes in Accumulated Plan Benefits

Actuarial present value of accumulated plan benefits at beginning of year	$ 15,210,578	$ 18,103,956
Increase (Decrease) attributable to:		
Plan Amendment	0	0
Benefits Accumulated*	2,320,130	3,491,027
Benefits Paid	- 129,625	- 143,850
Change in Assumptions	702,873	866,108
Actuarial present value of accumulated plan benefits at end of year	$ 18,103,956	$ 22,317,241

* Includes effect of interest and actuarial gains and losses.

Exhibit 3 - Continued

SFAS No. 87 Pension Cost for 2012

A. Reconciliation of Funded Status	1/01/2012	Projected 12/31/2012
1. Actuarial present value of accumulated benefit obligations		
a. Vested portion	$ (18,404,187)	$ (21,680,503)
b. Non-Vested portion	(3,913,054)	(4,609,656)
2. Accumulated Benefit Obligation	$ (22,317,241)	$ (26,299,159)
3. Effect of estimated future pay growth	(6,603,635)	(7,779,215)
4. Projected Benefit Obligation	$ (28,920,876)	$ (34,069,374)
5. Plan assets at fair value	25,263,122	30,495,860
6. Funded status: (4)+(5)	$ (3,657,754)	$ (3,573,514)
7. Unrecognized net (gain) or loss	6,456,669	6,246,988
8. Unrecognized prior service cost	(19,418)	(20,162)
9. Unrecognized net obligation	148,205	131,739
10. Accum. Comp. Other Income	6,585,456	6,358,565
11. Total: (6) + (10)	$ 2,927,702	$ 2,785,051

B. Determination of Pension Cost	2012
1. Service Cost	$ 3,292,753
2. Interest Cost (on A(4) and B(1))	2,008,576
3. Expected return on assets	(1,885,569)
4. Amortization of	
a. Unrecognized net (gain) or loss	209,681
b. Unrecognized prior service cost	744
c. Unrecognized net obligation	16,466
5. Net Periodic Pension Cost	$ 3,642,651

C. The assumptions are the same as those shown in Appendix E.

D. Unrecognized net obligation of $411,661 added 1/1/96, is amortized on a straight line basis over 25 years. Prior Service of $708,682 added 1/1/98 is amortized over 24 years. Prior service of $(469,257) added 1/1/07 is amortized over 17 years. 10% corridor used for unrecognized net (gain) or loss. Projected 12/31/12 assumes a 2012 contribution of $3,500,000 and net periodic pension cost of $3,642,651.

Exhibit 4

Employee Profile

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

Actives

		Years of Service							
Age		0-4.9	5-9.9	10-14.9	15-19.9	20-24.9	25-29.9	30 and Over	Total
Under 25	Count	24	1	0	0	0	0	0	25
	Salary	1,167,690	50,298	0	0	0	0	0	1,217,988
25-29	Count	52	8	0	0	0	0	0	60
	Salary	3,249,436	660,300	0	0	0	0	0	3,909,736
30-34	Count	61	25	7	0	0	0	0	93
	Salary	4,084,508	2,030,346	660,665	0	0	0	0	6,775,519
35-39	Count	53	13	10	0	0	0	0	76
	Salary	3,634,418	1,151,764	781,172	0	0	0	0	5,567,354
40-44	Count	40	24	2	4	0	0	0	70
	Salary	3,591,731	2,050,369	215,550	625,161	0	0	0	6,482,811
45-49	Count	48	16	5	1	2	0	0	72
	Salary	4,004,743	1,575,731	680,723	159,667	445,000	0	0	6,865,864
50-54	Count	24	12	9	2	2	5	2	56
	Salary	2,075,525	1,437,380	941,569	168,727	236,800	904,038	206,742	5,970,781
55-59	Count	19	7	4	0	1	2	3	36
	Salary	1,612,448	798,774	473,196	0	149,650	452,980	333,936	3,820,984
60-64	Count	8	6	2	1	0	0	2	19
	Salary	829,805	621,264	200,130	118,141	0	0	238,667	2,008,007
65 & Over	Count	0	3	3	0	0	0	1	7
	Salary	0	362,814	372,649	0	0	0	110,785	846,248
Unknown Age	Count	0	0	0	0	0	0	0	0
	Salary	0	0	0	0	0	0	0	0
Total	Count	329	115	42	8	5	7	8	514
	Salary	24,250,304	10,739,040	4,325,654	1,071,696	831,450	1,357,018	890,130	43,465,292

Exhibit 4 - Continued

Participant Data as of January 1, 2012

	Active	Retired	Terminated Vested	Total
Number of Participants at 1/1/2011	456	7	54	517
New during year	+ 73	0	0	+ 73
Rehired	0	0	0	0
Terminated Vested	- 8	0	+ 8	0
Terminated nonvested	- 12	0	0	- 12
Cashed out	0	0	0	0
Retired	- 1	+ 1	0	0
Died	0	0	0	0
Rehired	+ 1	+0	- 1	0
Number of Participants at 12/31/2011	509	8	61	578
New Entrants on 1/1/2012	+ 5	0	0	+ 5
Number of Participants 1/1/2012*	514	8	61	583

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

Exhibit 5

Principle Provisions of the Plan

EFFECTIVE DATE:	January 1, 1996, adopted May 15, 1996. Restatement effective January 1, 1997, adopted December 19, 2001. Restatement effective January 1, 2008.
PARTICIPATION:	Employees at January 1, 1996, who were in the Entergy Corporation Retirement Plan for Non-Bargaining Employees are eligible on January 1, 1996. Any other employee is eligible to participate on the first day of the month after date of hire, or attainment of age 21, whichever is later.
PLAN YEAR:	January 1 to December 31.
COMPENSATION:	Base pay during the calendar year.
FINAL AVERAGE MONTHLY EARNINGS:	Average of the Participant's Compensation over the sixty consecutive completed calendar months, out of the last 120, that produces the highest average.
SERVICE:	A period of employment with Southwest Power Pool, Inc. For those Participants who were previously employed by a member company of Southwest Power Pool immediately prior to their being hired by Southwest Power Pool, such previous employment is also Service. (a) Benefit Service is all Service after age 21. (b) Vesting Service is all Service after age 18.
ACCRUED BENEFIT:	Benefit based on Final Average Monthly Earnings and Benefit Service to date.

Exhibit 5 - Continued

NORMAL RETIREMENT:

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

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

Form: Life Annuity.

EARLY RETIREMENT:

Eligibility: Age 55 with 10 years of Service.

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

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

DEATH:

Eligibility: Death prior to the commencement of benefits.

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

VESTING:

Eligibility: The vesting schedule is as follows:

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

Benefit: Accrued Benefit times the Vested Percentage, payable at Normal Retirement Age. Reduced amounts are payable if eligible for Early Retirement.

Appendix A

Calculation of Contributions

		2011	2012
A.	Maximum tax deductible contribution (IRC 404(o)(2))		
1.	Funding Target	$ 17,057,499	$ 21,893,289
2.	Target Normal Cost	2,230,398	2,611,168
3.	Cushion Amount		
	a) 50% of Funding Target	8,528,750	10,946,645
	b) Amount Funding Target increases due to pay growth	4,933,701	6,699,232
4.	Actuarial value of plan assets	23,536,306	25,263,122
5.	Funding Target IF plan were "At Risk"	21,148,945	26,780,209
6.	Maximum = (1)+(2)+(3)-(4), but not less than (5)+(2)-(4)	$ 9,214,042	$ 16,887,212
B.	Suggested contribution		
1.	Normal Cost for current group	$ 2,726,090	$ 3,141,507
2.	Partial years cost for 81/50 expected new people	257,000	155,000
3.	Amortization of Unfunded Actuarial Accrued Liability	143,415	575,067
4.	Interest	5,020	20,127
5.	Suggested contribution	$ 3,131,525	$ 3,891,701
C.	Minimum required contribution (IRC 430)		
1.	Target Normal Cost	$ 2,230,398	$ 2,611,168
2.	Shortfall amortization charges (App E)	0	0
3.	Waiver amortization charges (App E)	0	0
4.	Subtotal (1)+(2)+(3)	$ 2,230,398	$ 2,611,168
5.	Excess of actuarial value of asset (less carryover) over Funding Target	0	0
6.	Minimum (beginning of year) = (4), or if (5) is greater than 0, then (1)-(5), but not less than $0.	$ 2,230,398	$ 2,611,168

Appendix B

Costs and Liabilities

		1/1/2011		1/1/2012
1. Present Value of Future Benefits				
A. Active Lives	$	52,484,952	$	61,223,608
B. Inactive Lives		3,292,236		3,944,970
C. Total Present Value	$	55,777,188	$	65,168,578
2. Actuarial Accrued Liability	$	24,536,095	$	28,937,391
3. Assets		23,536,306		25,263,122
4. Unfunded Actuarial Accrued Liability (2 - 3)	$	999,789	$	3,674,269
5. Entry Age Normal Cost	$	2,726,090	$	3,141,507
6. Total Covered Salary		37,913,644		43,465,292
7. Normal Cost Rate (5 / 6)		.071900		.072276

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

Appendix C

Development of Unfunded Actuarial Accrued Liability

		2011
(1) Unfunded Actuarial Accrued Liability beginning of year	$	999,789
(2) Normal Cost for year		2,726,090
(3) Contributions for year		3,133,122
(4) Interest on (1), (2), and (3)		55,739
(5) Other adjustments		0
(6) Expected Unfunded Actuarial Accrued Liability at end of year: (1)+(2)-(3)+(4)+(5)	$	648,496
(7) Gain/loss during year		3,025,773
(8) Effect of changes in assumptions		0
(9) Unfunded Actuarial Accrued Liability at end of year	$	3,674,269
(10) Amortization period		8
(11) Amortization of Unfunded Actuarial Accrued Liability	$	575,067

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

Appendix D

IRC 430 Calculations

		2011	2012
A.	Segment Rates	2.94/5.82/6.46	1.98/5.07/6.19
	Equivalent rate	6.18%	5.74%
B.	Asset Information		
	1. Market Value of assets on valuation date	$ 23,536,306	$ 25,263,122
	2. Actuarial Value of assets on valuation date	23,536,306	25,263,122
	3. Carryover balance on valuation date	1,631,690	1,549,453
	4. Pre-funding balance on valuation date	5,587,784	6,173,630
	5. Security pledges & annuity purchases on non HCE's within last two years	0	0
C.	Funding Target (IRC 430(d)(1))	$ 17,057,499	$ 21,893,289
D.	Target Normal Cost	$ 2,230,398	$ 2,611,168
E.	"At Risk" calculations (IRC 430 (i))		
	1. Present value of accrued benefits under alternate assumptions	$ 21,148,945	$ 26,780,209
	2. Loads		
	a) $700 times number of participants	361,900	408,100
	b) 4% of (1)	945,958	1,071,208
	3. Was plan "at risk" in 2 of last 4 years?	NO	NO
	4. Funding target (1, +2 is 3=yes, and not less than C)	21,148,945	26,780,209
	5. Target normal cost under alternate assumptions	2,604,256	2,994,267
	6. 4% load	104,170	119,771
	7. Target normal cost (5, +6 if 3=yes, and not less than D)	2,604,256	2,994,267

Appendix D - Continued

			2011	2012
F.	Various percentages			
	1.	Funding Target Attainment Percentage for Year		
		a. B(2) divided by C	137.98%	115.39%
		b. B(2)-B(3)-B(4), divided by C	95.66%	73.03%
		c. If a is greater than 100% then a, else b.	137.98%	115.39%
	2.	Adjusted Funding Target Attainment Percentage for Year B(2)-B(3)-B(4)+B(5), divided by C+B(5) [if 1(a) is greater than 100%, then 1(a)]	137.98%	115.39%
	3.	At Risk Funding Target Attainment Percentage for Year B(2)-B(3)-B(4), divided by E(1)	77.15%	65.50%
G.	"At Risk" test for next year			
	1.	Minimum required Funding Target Attainment Percentage	80%	80%
	2.	Minimum required At Risk Funding Target Attainment Percentage	70%	70%
	3.	Does Plan have more than 500 participants?	YES	YES
	4.	Is plan "At Risk" for the next year? (If 1(c) > 80%, then "NO")	NO	NO

Appendix E

Amortization of Shortfalls

Item	Initial Amount	Date Added To Costs	1/1/2012 Outstanding Balance	Amortization Period	Amortization Amount
2) 2012 Shortfall	$ 0	1/1/2012	$ 0	7	$ 0

Shortfall amortization base for this year

1.	Funding Shortfall		
	a) Funding Target from Appendix B	$	**
	b) Actuarial value of assets less carryover and prefunding balances		**
	c) Funding shortfall = (a)-(b), not less than $0	$	**
2.	Present value of remaining shortfall amortization installments		0
3.	Shortfall amortization base = (1)-(2), or $0 if (1)(b) is greater than Funding Target from Appendix B		0

**Exemption from establishing a base for 2012:

1.	Plan Assets	25,263,122
2.	Prefunding Balances used to reduce contributions for the plan year	0
3.	Net Assets	25,263,122
4.	Transition Funding Target from Appendix B	21,893,289
5.	Is plan exempt from establishing a shortfall base? If (3)>(4), then YES otherwise NO.	YES

Appendix F

Contributions and Funding Balances

Contributions for 2011:		CARRYOVER BALANCE	PRE-FUNDING BALANCE	TOTAL
1)	Minimum required contribution for 2011			$ 2,230,398
2)	Balances used to offset minimum	$ 0	$ 0	0
3)	Additional cash requirement (1) – (2)			2,230,398
4)	Contributions discounted to 1/1/11			3,047,379
5)	Excess contributions (4) – (3)			$ 816,981

Carryover and Pre-funding Balances:		CARRYOVER BALANCE	PRE-FUNDING BALANCE	TOTAL
1)	Balance at 1/1/2011	$ 1,631,690	$ 5,587,784	$ 7,219,474
2)	Portion used to offset 2011 funding requirement	0	0	0
3)	Amount Remaining	1,631,690	5,587,784	7,219,474
4)	Interest at – 5.04%	- 82,237	- 281,624	- 363,861
5)	Subtotal	1,549,453	5,306,160	6,855,613
6)	Prior year's excess contributions		816,981	816,981
7)	Interest on (6) at 6.18%		50,489	50,489
8)	Subtotal (6) + (7)		867,470	867,470
9)	Portion of (8) to be added to prefunding balance		867,470	867,470
10)	Voluntary reduction	0	0	0
11)	Balance at 1/1/2012 (5) + (9) + (10)	$ 1,549,453	$ 6,173,630	$ 7,723,083

Appendix G

Top-Heavy Test for 2012 Plan Year

Determination Date: 12/31/12
Valuation Date: 1/01/12

Present Value of Accrued Benefits at 7% Interest - Actives

1)	Key Employees (18)	$	2,753,608
2)	Non-key Employees		10,376,327
3)	Total	$	13,129,935

Present Value of Accrued Benefits at 7% Interest – Inactives

1)	Key Employees (1)	$	249,032
2)	Non-key Employees		410,519
3)	Total	$	659,551

Benefit Payments Since 1/1/2011

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

Totals

1)	Key Employees	$	3,002,640
2)	Non-key Employees		10,786,846
3)	Total	$	13,789,486

Top-Heavy Ratio = Key / Total 21.8%

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

Appendix H

Actuarial Cost Methods and Assumptions

COST METHOD:

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

PRE-RETIREMENT MORTALITY:

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

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

For the Minimum and Maximum Contributions, we used the IRS annuitant and non-annuitant tables for 2012.

POST-RETIREMENT MORTALITY:

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

Age	Males	Females
55	25.49 years	29.53 years
65	17.26 years	20.69 years

For the Minimum and Maximum Contributions, we used the IRS annuitant and non-annuitant tables for 2012.

ASSUMED INVESTMENT RETURN:

7.00% annually before retirement, and 7.00% after retirement. For purposes of the accounting calculation in Exhibit 3, a discount rate of 6.25% and a long-range return on assets of 7.00% were used.

Appendix H (continued)

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

1st segment (1-5 years)	1.98%
2nd segment (5-20 years)	5.07%
3rd segment (20+ years)	6.19%

The equivalent rate is 5.74%.

SALARY GROWTH:

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

DISABILITIES:

None assumed.

VOLUNTARY TERMINATIONS:

For the suggested contribution, rates under the T-1 table in the Actuary's Handbook, minus mortality rates per the GA-51 table, but not less than 1%. Assumed termination rates at a few sample ages are:

Age	Termination Rate per 1,000
25	49.1
30	36.6
35	22.9
40	10.4
45	10.0
50	10.0
55	10.0
60	10.0

EXPECTED RETIREMENT PATTERN:

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

Age	Retirement Rate
55 – 61	.10
62	.25
63	.15
64	.15
65	1.00

ADMINISTRATIVE EXPENSES:

These were assumed to be paid by the Sponsor.

ASSET VALUATION:

Market Value

CONSIDERATION OF FUTURE MORTALITY IMPROVEMENTS:

The minimum and maximum contribution requirements are determined using mortality assumptions specified by the Internal Revenue Service. These assumptions do include anticipated mortality improvements up to the valuation date but not beyond.

Future mortality improvements were not considered in developing the suggested contribution or the financial statement items in Exhibit 3. A change in the life expectancy table would normally have the greatest impact on current retirees. This plan has few retirees and a relatively low average age. Thus, the liabilities are significantly more volatile with regards to the other assumptions (i.e., investment return, salary growth, retirement age and turnover) than mortality. In addition, the Society of Actuaries is currently doing one of the most extensive reviews of actual mortality in its history. It is expected that this study will result in a more current "base" mortality table and revised projection assumptions and methods. It is likely that these new tables would be a better basis for such mortality projections for this plan than those currently available.

Osborn, Carreiro & Associates, Inc.

ACTUARIES · CONSULTANTS · ANALYSTS

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

February 28. 2012

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

RE: Retiree Medical Coverage - SFAS No. 106

Dear Tom:

Attached is my report on the 2012 net periodic postretirement benefit cost per Statement of Financial Accounting Standards Nos. 106, for the retiree medical coverage.

The attached report assumes a 6.25% discount rate. At the April 4, 2008 meeting of the Finance Committee, it was decided that the discount rate for these calculations should be based on the IRS 24-month average "third segment" rate for the prior September and October. That rate was 6.32% for September 2011 and 6.30% for October 2011. Accordingly, a discount rate of 6.25% was used for the 12/31/2011 disclosure items. The 2012 net periodic postretirement benefit cost using a 6.25% discount rate is $469,216.

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

Sincerely,

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

Attachment

Osborn, Carreiro & Associates, Inc.

ACTUARIES · CONSULTANTS · ANALYSTS

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

February 28, 2012

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

RE: Retiree Medical Coverage - SFAS No. 106

Dear Tom:

I have calculated the 2012 net periodic postretirement benefit cost per Statement of Financial Accounting Standards Nos. 106 and 158.

The results are shown on the attached sheets. The 2012 net periodic postretirement benefit cost will be $469,216. All employees hired before June 1, 2006 are entitled to postretirement medical coverage upon reaching normal retirement age and 10 years of vested service with Southwest Power Pool, while those employees hired before January 1, 1996 are eligible for postretirement medical coverage upon reaching age 55 and accruing 10 years of vested service with Southwest Power Pool.

The calculations incorporate various actuarial assumptions. In particular, I assumed a 6.25% discount rate and a 7.0% investment return on plan assets. The health care cost trend rate was assumed to increase 10% next year, 9% the following year, and so on, decreasing to an ultimate 5% assumption in five years.

The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the health care cost trend rate by one percentage point in each year would increase the accumulated postretirement benefit obligation by as of January 1, 2012 by $1,345,116, and the 2012 net periodic postretirement benefit cost by $244,100.

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

Sincerely,

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

Attachments

EXHIBIT 1

SFAS NO. 106 COST FOR 2012

A. Reconcilliation of Funded Status	1/1/12	Projected 12/31/12
1. Actuarial present value of accumulated postretirement benefit obligations		
a. Retirees	$(713,575)	$(828,937)
b. Fully eligible active employees	(718,105)	(834,199)
c. Other active employees	(4,518,366)	(5,248,841)
d. Subtotal	$(5,950,046)	$(6,911,977)
2. Plan assets at fair value	6,750,553	7,709,808
3. Funded status: (1)+(2)	$ 800,507	$ 797,831
4. Unrecognized net (gain) or loss	(809,932)	(802,833)
5. Unrecognized prior service cost	0	0
6. Unrecognized net obligation or (net asset)	39,817	35,394
7. Subtotal (4) + (5) + (6)	(770,115)	(767,439)
8. Total (3) + (7)	$ 30,392	$ 30,392

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

SOUTHWEST POWER POOL
RETIREMENT PLAN

SFAS No. 158 Items

B. Reconciliation	Post-Retirement Medical Asset on Balance Sheet	Accumulated Other Comp. Income (loss) Post-Retirement Medical Part	Total
1. Balance 12/31/10	$ 1,142,413	$ (1,112,464)	$ 29,949
2. Change in assumptions	(244,100)	244,100	0
3. Net periodic pension cost for 2011	(465,771)	21,212	(444,559)
4. Cash contribution in 2011	445,002	0	445,002
5. Deferred investment loss for 2011	(582,890)	582,890	0
6. Other gain	505,853	(505,853)	0
7. Balance 12/31/11	$ 800,507	$ (770,115)	$ 30,392

Note: The above does not include any tax effects.

SFAS No. 158 Implementation

C. Determination of SFAS 106 Cost	2011	2012
1. Service Cost	$ 553,735	$ 555,344
2. Interest Cost (on A(4) and B(1))	380,336	406,587
3. Expected return on assets	(468,300)	(490,039)
4. Amortization of		
a. Unrecognized net (gain) or loss	(25,635)	(7,099)
b. Unrecognized prior service cost	0	0
c. Unrecognized net obligation or (net asset)	4,423	4,423
5. Net Periodic Postretirement Benefit Cost	$ 444,559	$ 469,216

EXHIBIT 2

PARTICIPANT DATA

A. The following participant data was used:

	January 1 2011	January 1 2012
Number of Active Employees	149	146
Number of Retirees covered	4	5

B. Projected premium payment

1st Year	38,000	58,000
2nd Year	69,100	87,000
3rd Year	106,700	104,000
4th Year	133,000	119,000
5th Year	166,200	134,000
6th through 10th Year	1,396,900	1,457,000

EXHIBIT 3

ACTUARIAL ASSUMPTIONS

DISCOUNT RATE:	A discount rate of 6.25% was used. The expected return on assets was assumed to be 7.00%.
HEALTH CARE COST TREND RATE:	"Medical inflation" was assumed to be 10.0% for the next year, 9.0% in the second year, 8.0% in the third year, 7.0% in the fourth year, 6.0% in the fifth year, and 5.0%/year thereafter.
BASE CLAIM COSTS:	The following monthly base claim costs (i.e., the amount paid by Southwest Power Pool) were assumed for 2012:

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

SELECTION OF COVERAGE:	We assumed that 100% of eligible retirees would select the coverage.
DATA USED:	We received a census listing from the company. The data is summarized in Exhibit 2.
PRE-RETIREMENT MORTALITY:	Deaths have been projected on the basis of the 1994 Uninsured Pensioners Mortality Table ("1994 UP"). Mortality rates at a few sample ages are:

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

Exhibit 3 (continued)

POST-RETIREMENT MORTALITY

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

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

DISABILITIES:

None assumed.

VOLUNTARY TERMINATIONS:

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

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

EXPECTED RETIREMENT PATTERN:

We have assumed the following rates of retirement:

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

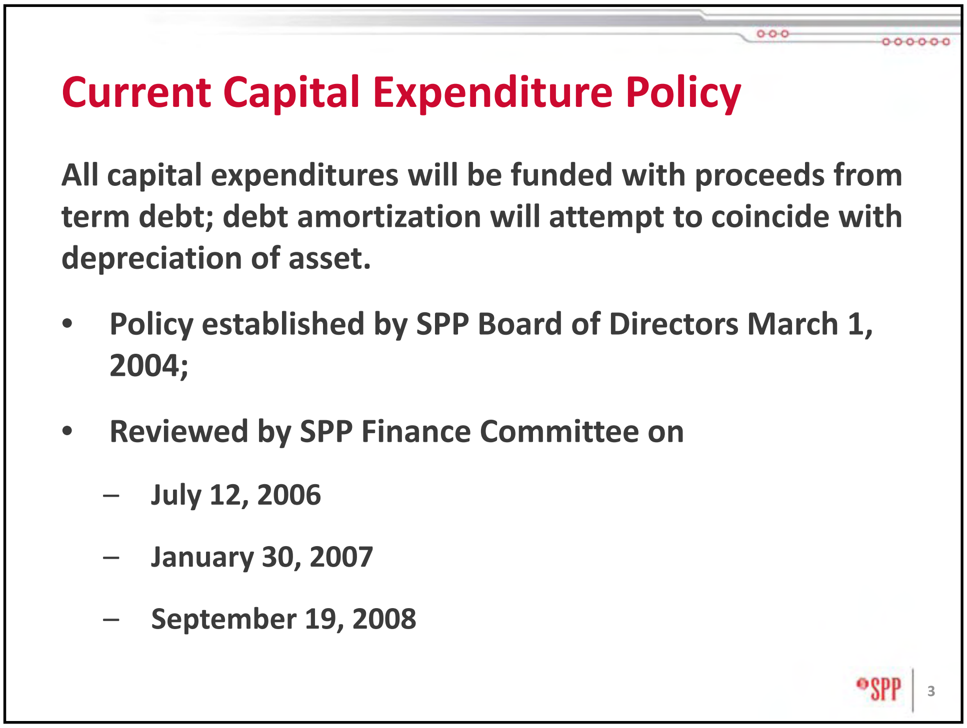
Helping our members work together to keep the lights on…
today and in the future

Southwest Power Pool

Capital Expenditure Funding Policy

April 17, 2012

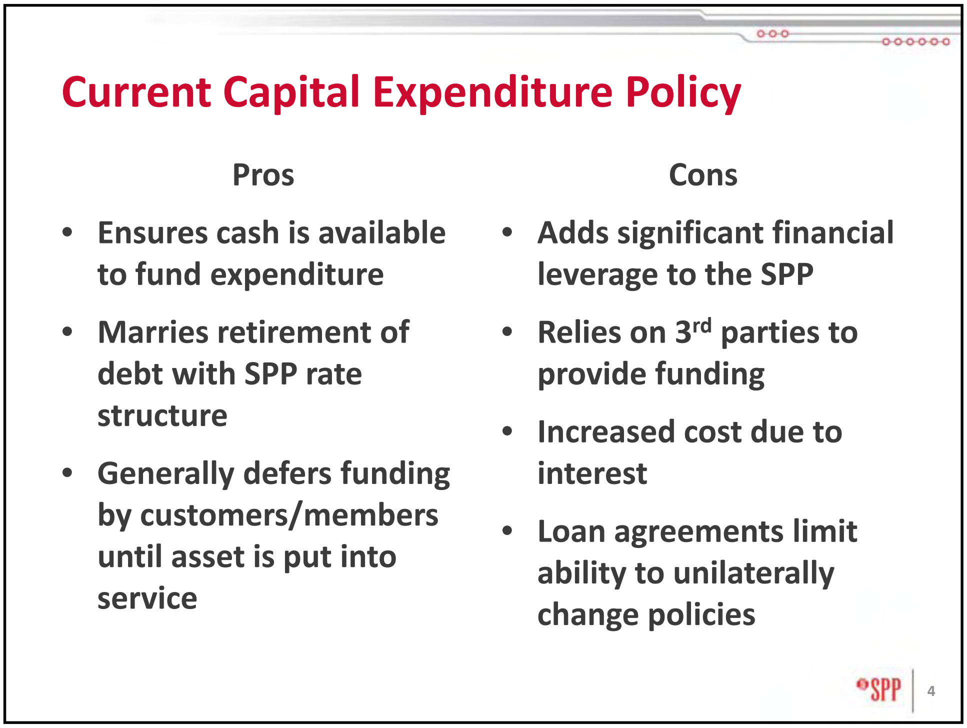
Southwest Power Pool



Current Capital Expenditure Policy

All capital expenditures will be funded with proceeds from term debt; debt amortization will attempt to coincide with depreciation of asset.

- Policy established by SPP Board of Directors March 1, 2004;
- Reviewed by SPP Finance Committee on
  - July 12, 2006
  - January 30, 2007
  - September 19, 2008



Current Capital Expenditure Policy

Pros	Cons
• Ensures cash is available to fund expenditure	• Adds significant financial leverage to the SPP
• Marries retirement of debt with SPP rate structure	• Relies on 3rd parties to provide funding
• Generally defers funding by customers/members until asset is put into service	• Increased cost due to interest
	• Loan agreements limit ability to unilaterally change policies

Other Capital Expenditure Funding Options

- Include capital expenditure budget in setting administrative rate
  - SPP policy prior to March 2004
  - Low cost solution for SPP
  - Ultimately drives down SPP’s long-term obligations
  - Creates opportunities for shortages to fund early year capital expenditures
  - New customers obtain benefit of assets purchased by early customers

Other Capital Expenditure Funding Options

  - Can create significant year to year volatility in administrative rates
- Lease Capital Assets
  - Doesn’t require approval from FERC and/or AR PSC to enter into leases
  - Generally more expensive than debt issuance or funding in administrative fee
  - Reduced flexibility on timing of asset disposals
  - Limited lease alternatives for custom software

Other Capital Expenditure Funding Options

  - Creates additional administrative overhead associated with tracking of lease
- Fund Maintenance Capital Expenditures within Administrative Fee
  - Reduces ongoing need to obtain new funding
  - Relatively easy to implement, no tariff changes required
  - Can be used to limit capital expenditures
  - Modestly reduces SPP’s financial leverage
  - Results in administrative fee growth in early years

Other Capital Expenditure Funding Options

  - Can result in customers benefiting from assets they haven’t paid for customers paying for assets they don’t benefit from

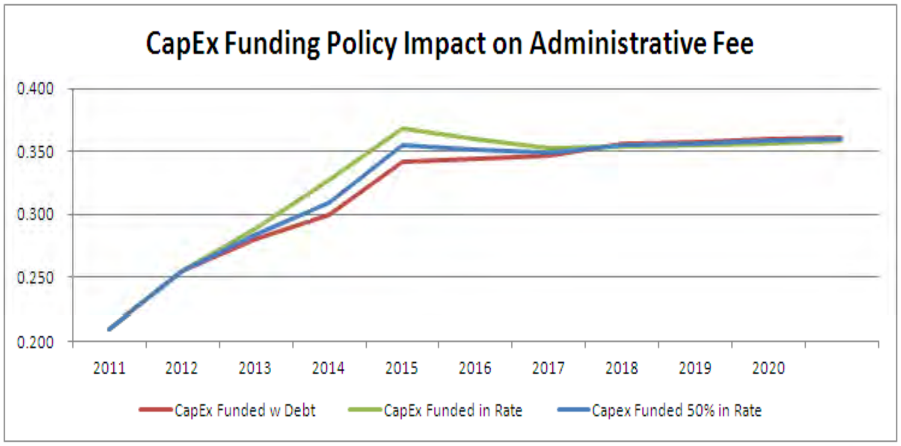
Other Capital Expenditure Funding Options

Fund Maintenance Capital Expenditures within Administrative Fee

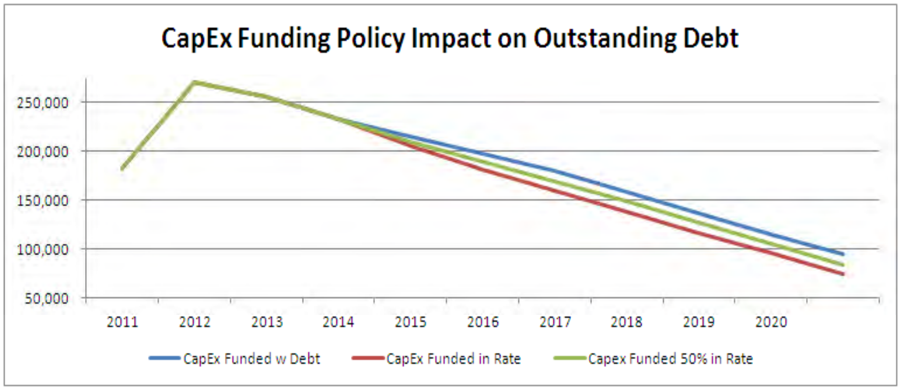
Assumptions & Analysis

- Maintenance capital expenditures total $10MM / year
- Policy starts with capital expenditure purchases in 2015
- Rate would be set to “pre-fund” next year’s maintenance capital expenditures
- 2015 capital expenditures funded 1/3 in 2013 and 2/3 in 2014

Other Capital Expenditure Funding Options



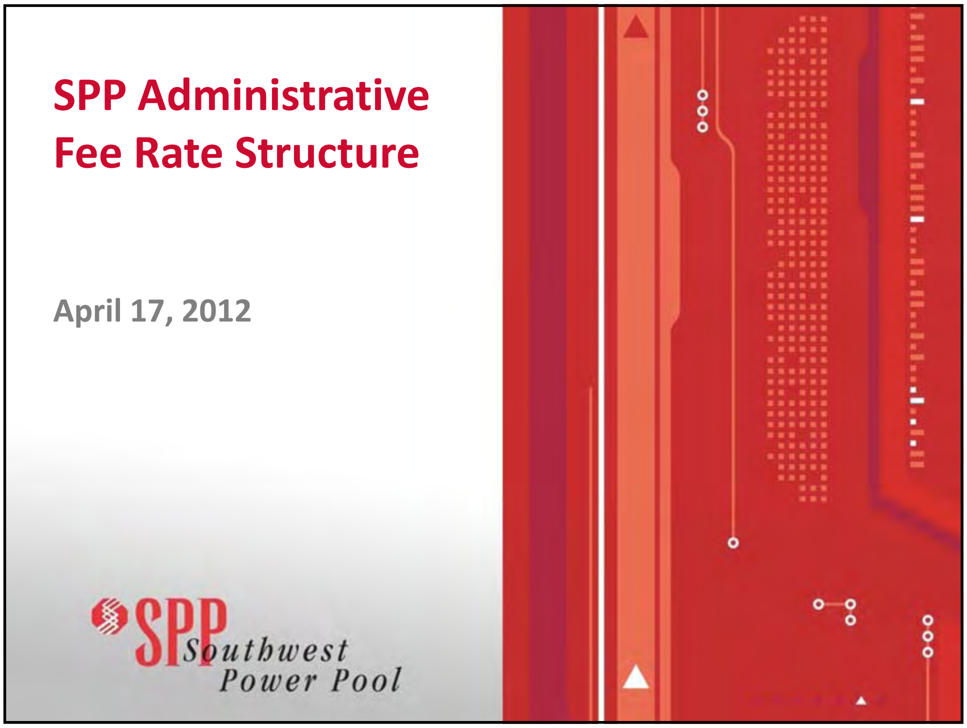
Other Capital Expenditure Funding Options


CapEx Funding Policy Impact on Outstanding Debt

Other Capital Expenditure Funding Options

Incremental Impacts to Select SPP Members (2016 Test Year)

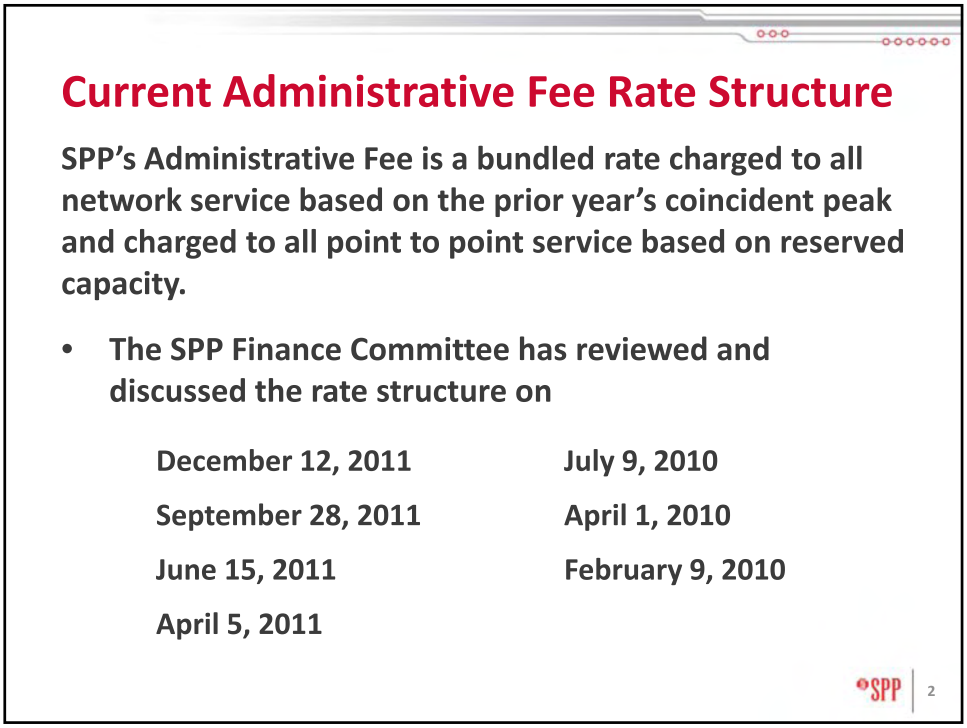
	Administrative Fee		Withdrawal Obligation	
	Fund in Rate	Fund 50% in Rate	Fund in Rate	Fund 50% in Rate
Westar	541,379	269,213	(1,332,035)	(664,699)
ITC Great Plair	-	-	(70,511)	(35,186)
Tenaska	12,269	6,101	(70,511)	(35,186)
AEP	828,226	411,854	(2,922,392)	(1,458,303)



SPP Administrative Fee Rate Structure

April 17, 2012

SPP Southwest Power Pool

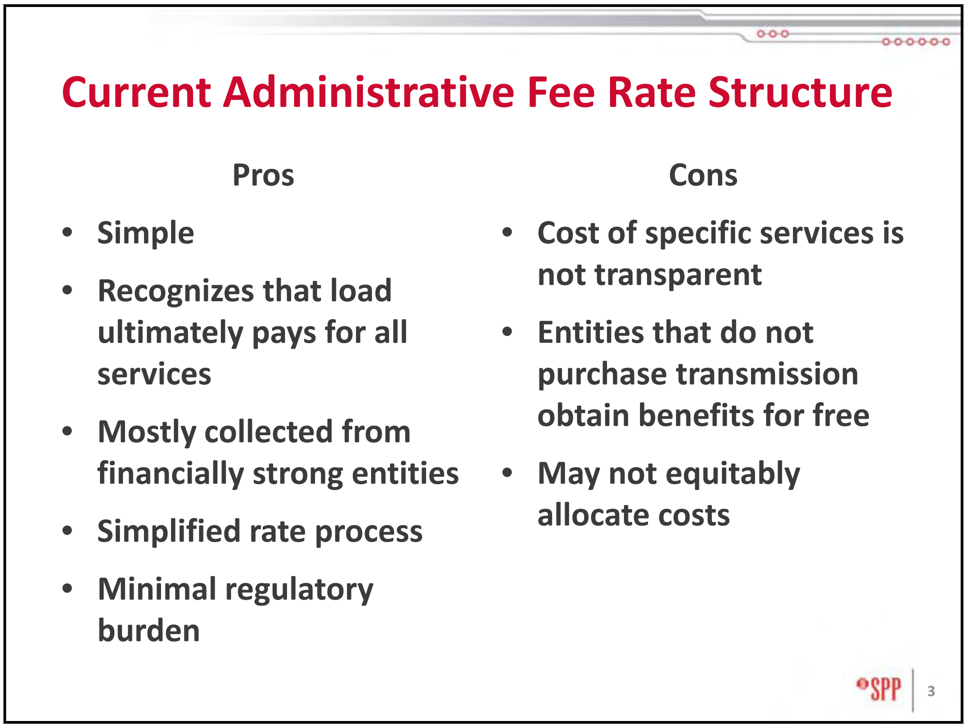


Current Administrative Fee Rate Structure

SPP's Administrative Fee is a bundled rate charged to all network service based on the prior year's coincident peak and charged to all point to point service based on reserved capacity.

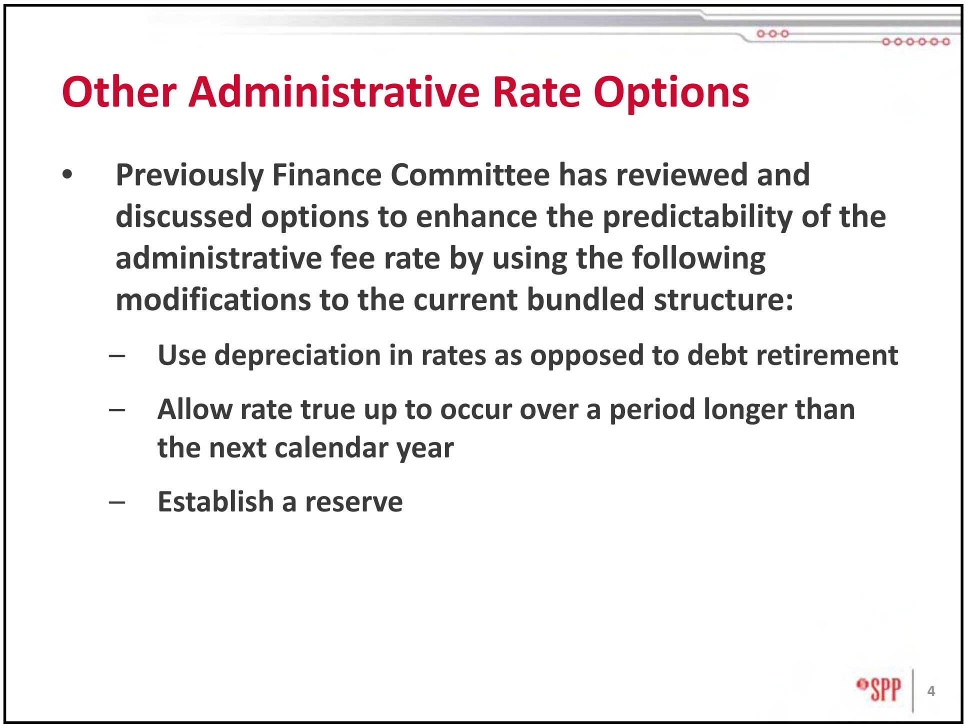
- The SPP Finance Committee has reviewed and discussed the rate structure on

December 12, 2011	July 9, 2010
September 28, 2011	April 1, 2010
June 15, 2011	February 9, 2010
April 5, 2011	



Current Administrative Fee Rate Structure

Pros	Cons
• Simple	• Cost of specific services is not transparent
• Recognizes that load ultimately pays for all services	• Entities that do not purchase transmission obtain benefits for free
• Mostly collected from financially strong entities	• May not equitably allocate costs
• Simplified rate process	
• Minimal regulatory burden	



Other Administrative Rate Options

- Previously Finance Committee has reviewed and discussed options to enhance the predictability of the administrative fee rate by using the following modifications to the current bundled structure:
  - Use depreciation in rates as opposed to debt retirement
  - Allow rate true up to occur over a period longer than the next calendar year
  - Establish a reserve

Other Administrative Fee Options

- Full unbundling of the rate similar to that utilized by other multi-state RTOs
  - Creates cost of service transparency
  - Allocates costs directly to those utilizing the service
  - Can utilize a formula rate approach and eliminate the current rate cap approach
  - Increased complexity in rate structure and accounting
  - Less certainty in financial strength of rate payers

Other Administrative Fee Options

- Increase billing determinants to include generation in the bundled rate structure
  - Essentially allocates rate equally between load and generation
  - Maintains simplicity in rate structure
  - Maintains rate setting authority, within the rate cap, at the RTO
  - Does not allocate costs to entities utilizing services who do not purchase transmission or provide generation
  - Observable cost shifts without clear increase in benefits

Other Administrative Fee Options
(Addition of Generation as a Billing Unit)

Entity	Incr/(Decr)	Entity	Incr/(Decr)
NPPD	837,025	LES	(303,418)
OGE	753,963	SPA	(344,687)
AEP	671,053	AECC	(352,903)
WESTAR	595,729	WFEC	(370,840)
SPS	420,273	KCPL GMO	(384,344)
OPPD	403,919	NTEC	(453,449)

Other Administrative Fee Options

- Add a transaction fee to virtual transactions in Integrated Marketplace
  - Shares cost burden with non-physical customers
  - Maintains majority of existing rate structure
  - May limit “fishing” bids in marketplace
  - Fee level needs to strike appropriate balance so as not to unduly limit robustness of market

Southwest Power Pool
FINANCE COMMITTEE
Organizational Group Scope Statement

Purpose

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

Scope of Activities

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

Specific tasks include:

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

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

~~3.~~1. Develop, in conjunction with management, a schedule for the preparation and development of the annual operating budget, capital budget and each special budget that provides sufficient time for preliminary development by management, review by the Committee, consideration of the proposed budget by the Board of Directors, and final approval of the proposed budget by the Board of Directors, in accordance with the overall budget cycle established by the Board of Directors.

~~4.~~2. Monitor the methodology of cost recovery to insure continuing equity for Members.

~~5.~~3. Develop policies for management of the company's capitalization, financing and long-term contracts.

~~6.~~4. Review periodically, with the corporation's counsel, any legal matter that could have a significant impact on the corporation's financial statements.

~~7.~~5. Discuss with management ~~and the independent auditors~~ the corporation's guidelines and policies with respect to risk assessment and risk management. The Committee should discuss the corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures.

~~8.~~6. Report regularly to the full Board of Directors including:
    a. any issues that arise with respect to the quality or integrity of the corporation's financial statements, the corporation's compliance with legal or regulatory requirements, ~~the~~

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

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

~~9.~~7. Review with management ~~and the independent auditors their assessments of~~ the adequacy of internal financial controls and the resolution of any identified material weaknesses or reportable conditions.

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

~~11.~~8. Review reports of actuaries and provide input to the assumptions used to develop the actuarial reports.

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

10. Review annually, the Investment Policy Statements for the Company's retirement plan, 401(k) plan, post-retirement healthcare plan, and all other similar plans, to ensure the Investment Policy Statements continue to be appropriate for the goals of the plans.

~~12.~~11. Engage and monitor the performance of Investment Managers who have discretionary investment powers for any of the Company's ERISA and non-ERISA plans.

~~13.~~12. Review and approve annually significant financial and compliance policies which fall under the purview of the Committee.

~~14.~~13. The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including reviewing the compliance of the Committee with this Charter.

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

Representation

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

Revised April ~~2, 2009~~17, 2012

Duration

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

Reporting

The Finance Committee reports directly to the Board of Directors.

SPP Business Process Improvement Status Report

1Q2012

April 17, 2012

Southwest Power Pool

A) BPI Implementation Scorecard for 2012

Status Report – Executive Summary – April 17, 2012

BPI Initiative	Status	Description
1) Track 2012 BPI Initiatives In 2012-2014 Budget	**On Target**	Report implementation progress Quarterly to the Finance Committee. Implementation benefits are measured against observable, agreed upon benchmark measurements. (See 1Q12 detailed report.)
2) Develop BPI Tracking Conventions and review with Finance Comm.	**On Target - In Development**	Prior to submitting documentation of BPI initiatives included in the 2012-2014 budget, "tracking conventions" were discussed with members of the Finance Committee. Develop recommendations for tracking/measuring methodology (business rules) and review with FC in July prior to submitting 2013-2015 budget.
3) Proactively Identify Additional BPI Initiatives to Track	**On Target - See 1Q Report**	Collaborate with SPP Business Units throughout the year to identify additional BPI or cost reduction initiatives. Add those impacting 2012 to the Tracking Report. Add longer term initiatives to BPI/CR Embedded in 2013-2015 Budget report.
4) BPI Methodology Selection & Implementation	**Ahead of Plan**	Research the formal BPI methodologies available and select and/or develop the best one for SPP adoption consistent with SPP Strategy and Culture. Develop implementation plan. ***Scott Maple hired and will help facilitate SPP BPI teams leveraging the Lean methodology for continuous improvement. Lean is the best fit for SPP business model.***
5) Implement Initial BPI Pilot Programs	**On Target**	In 2012, identify 3-5 BPI Pilot programs – form BPI teams, train the team, facilitate BPI design, manage implementation and manage to results. Over time, BPI initiatives will drive proactive SPP-wide process improvement/cost reductions.
BPI Scorecard Objectives beyond 2012		
6) Design SPP Strategic BPI Implementation - Extend Pilot to all Business Units	**2013**	To ensure long term success, each SPP line organization must "own" their BPI strategy. SPP-wide BPI Goals and Objectives must be integrated into the Goals and Objectives of the line organization. Develop a plan for program integration.
7) SPP-wide BPI Implementation	**2014**	SPP-wide implementation of BPI methodologies across all Departments involving all employees.

B) Tracking Process Improvements, Cost Reduction and Cost Avoidance Initiatives in 2012-2014 Budget

Executive Summary

From 2012-2014 Budget, in $000	2012	2013	2014
Operations Staffing Cost Reductions	**$ 653**	**$ 1,633**	**$ 1,706**
Operations Non-Staffing Cost Avoidance	**$ 748**	**$ 843**	**$ 936**
Capital Non Staffing Cost Avoidance	**$ 5,040**	**$ 4,229**	**$ 3,947**
Total	**$ 6,441**	**$ 6,705**	**$ 6,589**

Actual/Forecast from 1Q12, in $000	2012	2013	2014
Operations Staffing Cost Reductions	**$ 163**	**$ 1,537**	**$ 1,607**
Operations Non-Staffing Cost Avoidance	**$ 825**	**$ 898**	**$ 991**
Capital Non Staffing Cost Avoidance	**$ 5,473**	**$ 5,722**	**$ 4,356**
Total	**$ 6,461**	**$ 8,157**	**$ 6,954**

Actual/Forecast Variance, in $000	2012	2013	2014
Total	**$ 20**	**$ 1,452**	**$ 365**

Explanation of Variances

- **OATI vendor delays in delivering Operations Automation is a negative variance of $397K in 2012. Cost incurred in 2012 but positions eliminated 1-1-2013.**
- **Slight positive variances to budget in In-House TSA Legal, FERC 205 Legal process improvement, server virtualization and purchasing negotiations offset the staffing negative variances.**
- **Two new cost reductions initiatives were identified since the budget (In-sourcing Leadership training and an Oracle Unlimited License Agreement - ULA). The major impact of the ULA is a capital savings of $1.4 million in 2013 and $300K in 2014.**

Process Improvements, Cost Reductions and Cost Avoidance Initiatives
Initiatives Identified in 2012 - 2014 Budget (Three year summary)

	Identified in 2012 Budget			Current Actual/Projections		
Savings expressed in $ 000's	2012	2013	2014	2012	2013	2014
Operations Staffing Cost Reductions						
Settlements Process Improvements	$ 233	$ 360	$ 395	$ 233	$ 360	$ 395
Compliance Process Improvements and Organizational Alignment	$ 277	$ 286	$ 294	$ 184	$ 190	$ 195
Operations Automation - Tariff Adm/Int	$ 143	$ 987	$ 1,017	$ (254)	$ 987	$ 1,017
Total	**$ 653**	**$ 1,633**	**$ 1,706**	**$ 163**	**$ 1,537**	**$ 1,607**
Operations -- Non-Staffing Cost Reductions						
In-House Support for Tariff Service Agreement Filings	$ 510	$ 605	$ 698	$ 532	$ 605	$ 698
FERC Section 205 Filing Process Change -- Avoids Outside Legal Fees	$ 99	$ 99	$ 99	$ 117	$ 117	$ 117
SPPNet Monitoring In-house	$ 139	$ 139	$ 139	$ 139	$ 139	$ 139
In-Sourcing Leadership Training ***New!***				$ 37	$ 37	$ 37
Total	**$ 748**	**$ 843**	**$ 936**	**$ 825**	**$ 898**	**$ 991**
Capital -- Non-Staffing Cost Reductions						
Server Virtualization	$ 3,981	$ 3,892	$ 3,610	$ 4,276	$ 3,998	$ 3,716
Oracle Database Licensing (Virtualization)	$ 873	$ 113	$ 113	$ 873	$ 113	$ 113
Unlimited Oracle Database Licensing ***New!***				$ 20	$ 1,387	$ 303
Desktop/Laptop Refresh Cost Reduction	$ 57	$ 57	$ 57	$ 49	$ 57	$ 57
Purchasing Bidding and Negotiations	$ 129	$ 129	$ 129	$ 255	$ 129	$ 129
Microsoft Software Usage Rationalization	$ -	$ 38	$ 38	$ -	$ 38	$ 38
Total	**$ 5,040**	**$ 4,229**	**$ 3,947**	**$ 5,473**	**$ 5,722**	**$ 4,356**
Grand Total	**$ 6,441**	**$ 6,705**	**$ 6,589**	**$ 6,461**	**$ 8,157**	**$ 6,954**
Variance to Budget Savings Identified				**$ 20**	**$ 1,452**	**$ 365**

SPP Business Process Improvement Tracking
Actual/Forecasted 2012 Benefits Realization vs. Savings Identified in 2012 Budget
Explanation of 2012 Variances

Process Improvement/Cost Reduction Program	**From SPP Budget Projections for 2012**	**Current Forecast for 2012**	**Variance**	**Variance Explanation**
Operations Staffing Cost Reductions				
Settlements Process Improvements	$ 232,989	$ 232,989	0	On Target -- Positions have been transferred to Integrated Marketplace support in Settlements.
Compliance Process Improvements and Organizational Alignment	$ 277,234	$ 184,039	(93,195)	Only two of the three positions to be eliminated through improvements/alignment are now feasible.
Operations Automation - Tariff Admin & Interchage Desks	$ 142,635	$ (253,990)	(396,625)	Vendor delays (OATI) - We will invest in automation in 2012 and ROI will occur in 2013 and beyond.
Total	**$ 652,858**	**$ 163,038**	**(489,820)**	
Operations Non-Staffing Cost Reductions				
In-House Support for Tariff Service Agreement Filings	$ 510,382	$ 532,180	21,798	Based on pro-forma monthly spreading of annual W&T bills and Jan/Feb actuals - slight favorable yearly forecast.
FERC Section 205 Filing Process Change -- Avoids Outside Legal Fees	$ 99,000	$ 117,000	18,000	Two Transmission Owners moved to "Formula Rates" which is the category eligible for the process change - increases cost avoidance.
SPPNet Monitoring In-house	$ 139,400	$ 139,400	0	External contractor eliminated per plan with no internal cost increase - monitoring tool investment.
In-Sourcing Leadership Training ***New!***	$ -	$ 36,529	36,529	**New item** - had not been included in Budget estimates. Eliminate outside Consulting expense.
Total	**$ 748,782**	**$ 825,109**	**76,327**	
Capital Non-Staffing Cost Reductions				
Server Virtualization	$ 3,981,344	$4,276,104	294,760	Initial "virtualization" volume estimate was conservative and our actual volume is more than the benchmark - higher level of cost avoidance.
Oracle Database Lic. (Virtualization)	$ 873,000	$ 873,000	0	On plan

Unlimited Oracle Database Licensing ***New!***	$ -	$ 19,812	19,812	Projected volume from Integrated Marketplace makes Unlimited Pricing more attractive than per DB. Paying 3-year fees in 2012 makes 2012 breakeven - major savings in years 2 & 3 and beyond.
Desktop/Laptop Refresh Cost Reduction	$ 56,604	$ 48,800	(7,804)	Refined Model: Cost avoidance model was based upon 650 machines for employees/training, etc. Actual savings based on 2008 vs. 2009 machine numbers (employee growth) are less than the model.
Purchasing Bidding and Negotiations	$ 128,646	$ 254,850	126,204	We are tracking actual bidding/negotiating savings. 1Q12 savings was higher than quarterly estimate so full year estimate has been increased.
Total	**$ 5,039,594**	**$5,472,566**	**432,972**	
Grand Total	**$ 6,441,234**	**$6,459,184**	**19,479**	

C) Implementation of Formal SPP-wide Business Process Improvement Program

Future Vision:

Implement an SPP-wide program where SPP employees have the skills and empowerment to improve their work processes. SPP also will have implemented management processes to identify improvement opportunities, define project scope, and charter process improvement teams (PITs) within Departments and for larger SPP-wide improvement projects. It is likely that some process improvement initiatives will have member representatives on PITs.

A small staff group (Business Process Improvement) will train, lead and facilitate pilot Business Process Improvement projects using a defined analytical methodology. Given the SPP organization's priorities through 2014, SPP will embrace an evolutionary approach to implementing this enhanced capability. By 2014, each SPP Business Unit and Department will have resources on staff that have experience participating and leading process improvement projects.

BPI Implementation Milestones:

1Q12 **Hire an experienced BPI resource to be dedicated to training, facilitating and leading the development of process improvement projects and skills at SPP.**

2Q12 **Review available BPI methodologies and recommend the methodology that is best suited for SPP's business model, objectives and culture.**

2Q12 – 4Q12 **Identify, facilitate and implement 3-5 process improvement Pilot projects and establish the benchmarks for measuring results.**

2013 **Expand BPI Pilot programs into all SPP Business Units.**

Develop the overall management processes so that developing goals and objectives for BPI initiatives are integrated into overall SPP management systems.

2014 **SPP-wide implementation of BPI – extend BPI training and involvement to all Departments within SPP. Assure that development of BPI skills are part of all SPP human resource development plans. SPP will have an enhanced ability to embrace continuous process improvement.**

Status: 1Q12 and 2Q12 milestones have been achieved and Pilot program work is being initiated.

PCAOB Inspection of BKD, LLP
Report Dated December 7, 2010

Background

Board inspections are designed to identify and address weaknesses and deficiencies related to how a firm conducts audits. To achieve that goal, the Board inspections include reviews of certain aspects of selected audits performed by the firm and reviews of other matters related to the firm's quality control system.

In the course of reviewing aspects of selected audits, an inspection may identify ways in which a particular audit is deficient, including failures by the firm to identify, or to assess appropriately, respects in which an issuer's financial statements do not present fairly the financial position, results of operations, or cash flows of the issuer in conformity with GAAP.

Scope of Inspection

The inspection procedures included a review of aspects of the Firm's auditing of financial statements of nine issuers.

Results of Inspection

The inspection team identified what it considered to be audit deficiencies. The deficiencies identified in one of the audits reviewed included a deficiency of such significance that it appeared to the inspection team that the Firm did not obtain sufficient competent evidential matter to support its opinion on the issuer's financial statements. That deficiency was the failure to perform sufficient audit procedures related to an impairment charge and the remaining carrying amount of the impaired assets.

BKD's Response

BKD's response indicated that they had carefully evaluated the matter identified in the report and that appropriate action to address responsibilities had been taken in accordance with applicable authoritative literature. In their response, BKD concluded that their previously-expressed unqualified opinion on the issuer's financial statements remains appropriate.

Comparison to Other Reports

- Deloitte & Touche – Report dated December 7, 2011

  Issuers Reviewed - 57

  Issuers w/ Identified Deficiencies – 26

  In summary – issues reported were characterized as both "deficiencies in performance of audit work" and "deficiencies observed to be audit failures".

- Grant Thornton – Report dated August 12, 2010

  Issuers Reviewed – 39

  Issuers w/ Identified Deficiencies – 5

  In summary – issues reported were characterized as "deficiencies in performance of audit work".

SPP Southwest Power Pool

Memorandum

To: **SPP Finance Committee**

From: **Thomas Dunn**

CC:

Date: **April 17, 2012**

Re: **Reimbursement of CEO and CFO expenses**

The SPP Finance Committee approved, on July 10, 2009, a process to reimburse the SPP CEO and CFO for fixed costs associated with aircraft owned by Off We Go, LLC, a limited liability company whose sole members are the SPP CEO and CFO. The aircraft owned by Off We Go, LLC is frequently used by SPP to transport SPP employees on SPP business. In general terms the approved process results in SPP reimbursing 85% of the fixed costs associated with the aircraft. The table below details the fixed cost incurred, the SPP reimbursement, and the hours of use by SPP as a percentage of total use of the aircraft.

	2009		2010		2011	
Depreciation	11,434		11,434		11,434	
Interest	9,569		9,009		8,321	
Property Tax	1,664		1,396		1,269	
Annual Inspection	3,600		3,600		3,600	
Maps/Charts	709		684		731	
Insurance	7,950		7,563		6,775	
Hangar Rent	3,636		3,636		3,648	
Total Fixed Expense	**38,562**		**37,322**		**35,778**	
SPP Reimbursement	32,777	85%	31,684	85%	29,334	82%
Business Use (hours)	211.7	89%	183.4	80%	296.2	93%
Personal Use (hours)	27.3		45.8		23.1	

SPP's Internal Audit department performs an informal review of the reimbursements of Off We Go, LLC fixed costs annually. The details of this review have been reported to the SPP Oversight Committee annually. Additionally, each 6 months, SPP's Internal Audit department performs a review of the variable cost rate setting process used by Off We Go, LLC to ensure the variable cost components of the rate charged to SPP per hour of flight are just, reasonable, and supported. Copies of those reviews are attached.

Reimbursements of the fixed costs associated with the aircraft were specific to the following: depreciation, interest, maps/charts, annual inspection, insurance, taxes, and hangar rent. Subsequent to the approved reimbursement process Off We Go, LLC learned of another fixed cost…….replacement of the CAPS Ballistic Recovery System every 10 years. This system is a safety system designed to lower the entire aircraft to the ground safely in the event of an airborne aircraft failure. The replacement cost of this system, incurred in July 2010, was $13,934 and was funded entirely by Off We Go, LLC.

Southwest Power Pool

Memorandum

To: **Finance Committee Members**

From: **Tom Dunn**

CC: **Cheryl Robertson**

Date: **April 11, 2012**

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.

Meeting Date	Time	Meeting Location	Major Agenda Items
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