



**Southwest Power Pool**  
**FINANCE COMMITTEE MEETING**  
**September 24, 2012**  
**Dallas, Texas**

**• Summary of Action Items •**

1. Approved minutes from July 27, 2012 meeting
2. Approved engagement of BKD, LLC to perform 2012 financial audit

**• Schedule of Follow-up Items •**

1. Impact of depreciation schedules on property taxes and balance sheet



**Southwest Power Pool**  
**FINANCE COMMITTEE MEETING**  
**September 24, 2012**  
**Dallas, Texas**

• M I N U T E S •

**Agenda Item 1 – Administrative Items**

SPP Chair Harry Skilton called the meeting to order at 10:00 a.m. The following members of the Finance Committee were in attendance:

Harry Skilton	SPP Director
Larry Altenbaumer	SPP Director
Sandra Bennett	Southwestern Power Company
Kelly Harrison	Westar Energy
Coleen Wells	Kansas Electric Power Coop
Mike Wise	Golden Spread Electric Coop
Tom Dunn	SPP

Others attending included:

Traci Bender	NPPD
Carol Shoemaker	OG&E
Curry Aldridge	Tenaska
Bruce Cude	SPS
Scott Smith (phone)	SPP
Nick Brown	SPP
Carl Monroe	SPP
Lanny Nickell	SPP
Larry Middleton	Stephens, Inc.

**Administrative Items**

Minutes from the July 27, 2012 meeting were reviewed. Kelly Harrison motioned to approve the minutes. The motion was seconded by Larry Altenbaumer and approved by unanimous voice vote.

**2012 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. 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.

**Defined Benefit Pension Plan Fund Management**

Larry Middleton of Stephens, Inc. led a discussion on pension fund management. Mr. Middleton had been provided high level data on SPP's pension assets and Investment Policy Statement. The discussion centered on a few observations, as follows:

- Utilize a funding target objective for the plan as opposed to a return target objective. This concept correlates well with the purpose of the plan which is to pay benefits
- Beef up the Investment Policy Statement to include greater detail on asset allocation.
- Broaden the asset allocation beyond the simple strategy currently employed. This will provide the plan with greater diversification and lower the correlation of investment returns from individual classes

- Consider implementing a hybrid investment model utilizing a strong “core portfolio” with numerous “satellite” investment options
- Consider alternative investment classes (private equity, real estate, et al)

Mr. Middleton discussed the services he normally provides on a consultative engagement with pension funds. These services include development of comprehensive Investment Policy Statement, development and implementation of investment strategy, selection of investment managers, allocation of investment assets, monitoring and reporting on plan investment performance. Stephens, Inc. does selectively agree to be an ERISA fiduciary on pension engagements.

### **Future Meetings**

The next meeting of the SPP Finance Committee is scheduled for October 11, 2012 beginning at 9:30 am central time and finishing at 3:00 pm central. This meeting will be held at the DFW Hyatt Regency in Dallas, TX.

### **Executive Session**

The Committee convened an executive session.

There being no further business, Harry Skilton adjourned the meeting at 3:30 p.m.

Respectfully Submitted,

Thomas P. Dunn  
Secretary



**Southwest Power Pool, Inc.**  
**FINANCE COMMITTEE MEETING**  
**September 24, 2012**  
**DFW Hyatt Regency**  
**Dallas, Texas**

**• A G E N D A •**

10:00 a.m. – 3:00 p.m.

- 1. Administrative Items (5 minutes) ..... Harry Skilton
- 2. 2012 Financial Audit Engagement (10 minutes) ..... Tom Dunn
- 3. Pension Fund Management (75 minutes) ..... Larry Middleton, Stephens, Inc.
- 4. LUNCH (60 minutes)
- 5. 2013 Budget (Executive Session)
  - a. Review Responses to Questions (60 Minutes) ..... Tom Dunn
  - b. Continuing Dialogue (90 minutes) ..... All
- 6. Written Reports:
  - a. July 2012 Financial Reports
  - b. BPI Report
- 7. Future Meetings..... All
- 8. Adjourn ..... Harry Skilton



**Southwest Power Pool**  
**FINANCE COMMITTEE MEETING**  
**July 27, 2012**  
**Dallas, Texas**

**• Summary of Action Items •**

1. Approved recommendation from Credit Practices Working Group on approach to comply with netting/offset provisions of FERC Order 741.

**• Schedule of Follow-up Items •**

1. Impact of depreciation schedules on property taxes and balance sheet



**Southwest Power Pool**  
**FINANCE COMMITTEE MEETING**  
**July 27, 2012**  
**Dallas, Texas**

• M I N U T E S •

**Agenda Item 1 – Administrative Items**

SPP Chair Harry Skilton called the meeting to order at 10:00 a.m. The following members of the Finance Committee were in attendance:

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

Others attending included:

Traci Bender	NPPD
Terri Wendlandt (telephone)	Westar
Jayne Clarke (telephone)	Sunflower
Al Taylor (telephone)	ETEC
Scott Smith	SPP

**Administrative Items**

Minutes from the July 10, 2012 meeting were reviewed. Kelly Harrison motioned to approve the minutes. The motion was seconded by Larry Altenbaumer and approved by unanimous voice vote.

**Credit Practices Working Group**

Members of the Credit Practices Working Group (“CPWG”) and SPP staff led a detailed discussion on the requirements of FERC Order 741 specifically around the RTO’s ability to net/offset in default and bankruptcy scenarios. The CPWG recommended establishing SPP as a central counterparty to all market transactions. This recommended course results in several advantages to SPP and its market participants:

- Creates mutuality between SPP and the market participants allowing SPP to represent the market in bankruptcy situations
- Does not limit participation or stifle competition in the market
- Does not result in an increase in collateral required of market participants
- Consistent with other organized RTO markets

Legal ramifications of establishing SPP as a central counterparty were investigated by SPP’s in-house legal department. SPP will proceed with requesting a determination letter from the U.S. Internal Revenue Service which will ensure establishing SPP as a central counterparty will not impact SPP’s not for profit tax status.

Sandra Bennett motioned to approve the recommendation. The motion was seconded by Kelly Harrison and approved by unanimous voice vote.

Harry Skilton thanked the members of the CPWG for their efforts in responding to all of the requirements of FERC Order 741.

### **Investment Management**

The Committee members participated in an open dialogue session focused on selection/evaluation of managers of SPP's pension and post-retirement funds and investment objectives of those funds.

Important considerations on investment manager selection/evaluation included:

- Asset size of firm
- Firm's historical returns
- Consistency of investment style
- Types of clients the firm is engaged by
- Scope of firm's operations
- History of firm

Important considerations on fund investment objectives included:

- Overall portfolio rating – this should be identified explicitly
- Return objective for portfolio and individual manager/investment type
- Diversification requirements – limit investment in individual names to <X%

Action items from this session included:

- Invite SPP's actuary to present at the late September meeting a report on expected return assumptions used by defined benefit pension sponsors
- Invite Stephens, Inc. to provide a review of existing SPP structure around investment management and solicit input/ideas for improvement
- NPPD offered to share the investment policy statements used to manage their decommissioning funds

### **Future Meetings**

The next meeting of the SPP Finance Committee is scheduled for September 13, 2012 beginning at 3:00 pm central time and finishing at 5:00 pm central. This meeting will be held at the Doubletree Dallas in Dallas, TX. The sole agenda item will be sharing initial thoughts/questions regarding the SPP 2013 budget.

There being no further business, Harry Skilton adjourned the meeting at 1:30 p.m.

Respectfully Submitted,

Thomas P. Dunn  
Secretary



**Southwest Power Pool, Inc.**  
**FINANCE COMMITTEE**  
**September 24, 2012**  
**2012 Financial Audit Engagement**

**Organizational Roster**

The following persons are members of the Finance Committee:

Harry Skilton	SPP Director
Larry Altenbaumer	SPP Director
Colleen Wells	Kansas Electric Power Coop
Kelly Harrison	Westar
Sandra Bennett	AEP
Mike Wise	Golden Spread

**Background**

SPP annually engages a Certified Public Accounting firm to audit its financial statements and accounting controls. This audit report serves to document to members, customers, and other interested parties that the accounting practices and financial reporting of SPP comply with generally accepted accounting principles in the United States of America.

**Analysis**

SPP has engaged BKD, LLC since 2005 to audit SPP's financial statements and accounting practices for the purpose of expressing an opinion on the financial statements. BKD, LLC will begin work on the audit in mid-December, 2012 and will issue its final report to the SPP Finance Committee at its April 2013 meeting.

<u>Audit Year</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Fees	\$52,500	\$57,500	\$65,815	\$60,500	\$65,500	\$ 67,500
Admin	<u>1,275</u>	<u>1,366</u>	<u>1,585</u>	<u>2,223</u>	<u>1,965</u>	<u>2,025</u>
<b>TOTAL</b>	<b>\$53,775</b>	<b>\$58,866</b>	<b>\$67,400</b>	<b>\$62,723</b>	<b>\$67,465</b>	<b>\$69,525</b>

BKD, LLC is the 10<sup>th</sup> largest CPA and advisory firm in the United States. Formed in 1923, BKD, LLC now employs over 2,000 people generating annual revenues of over \$400 million through office locations across a 12 state service territory. BKD, LLC is a member of the American Institute of Certified Public Accountants and the Private Companies Firm Practice Center and is also registered with the Public Company Accounting Oversight Board<sup>1</sup>

**Recommendation**

Engage BKD to perform an audit of SPP's 2012 financial statements and results.

**Approved:** Finance Committee

**Action Requested:** Approve Recommendation

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<sup>1</sup> Required to serve as the independent auditor of public companies (BKD audits approximately 90 SEC registered entities).



# **SOUTHWEST POWER POOL**

## Defined Benefit Plan Discussion Points

- I. Review of current Investment Policy
    - a. Risk based Investment Strategy
    - b. Asset Allocation
    - c. Historical Standardized Deviation / Performance Analysis
  
  - II. Liability Driven Investment Strategy
    - a. Asset/Liability Match Funding
    - b. Dynamic LDI / Structured Funding Status
    - c. Pension Protection Act (Percentage Funding Rate)
    - d. Core Satellite / Efficient Frontier Modeling
- Sample Investment Policy and Tax-Exempt Model Portfolios to follow

# *SOUTHWEST POWER POOL RETIREMENT PLAN*

## **INVESTMENT POLICY STATEMENT**

**July 10, 2012**

### **1.01 PURPOSE OF THIS STATEMENT**

The Finance Committee (“the Named Fiduciary”) of the Southwest Power Pool, Inc. Board of Directors, on behalf of Southwest Power Pool, Inc. (“the Plan Sponsor”), hereby establishes the following policy for administering the Southwest Power Pool Retirement Plan (“the Plan”) investment program. The Investment Policy Statement (“the Statement”) sets forth the investment objectives and guidelines that will be applied within the investment program to insure the assets of the Plan are managed in a manner consistent with the Plan document and applicable statutory requirements. In addition, the Statement is to provide a framework for management of the assets of the Plan within levels of risk acceptable to the Named Fiduciary and the Southwest Power Pool, Inc. Board of Directors. The Statement provides the investment manager(s) with a written statement of specific quality, quantity and rate of return standards. By establishing and communicating clear investment guidelines and objectives, the Plan Sponsor can enhance the effectiveness of the Plan’s investment program and thereby contribute to the overall goal of retaining and recruiting employees by delivering an attractive, low-cost retirement program.

This Statement is based on the “prudent expert rule” to ensure all fiduciaries under the Plan act with skill, care, prudence, and diligence. It is expected that decisions related to management of the Plan and its assets will follow a careful, skillful, prudent and diligent process.

### **1.02 AMENDMENTS TO THE STATEMENT**

The Named Fiduciary reserves the right to amend this Statement at any time as deemed prudent or necessary. Should any amendment to this Statement be required due to changes in the Plan document or a change in applicable law, the Named Fiduciary shall have due time to review such changes and prepare and implement an appropriate amendment. Because of the dynamic nature of the economic environment, developments in financial theories, and advances in technology, this Statement will be examined by the Named Fiduciary from time to time on a formal or informal basis and may, as a result of such examination, be revised by the Named Fiduciary.

### **1.03 BACKGROUND OF THE FUND**

The Plan was established by the Southwest Power Pool, Inc. Board of Directors effective January 1, 1996. The purpose of the Plan is to provide annuity payments to qualified retirees of the Plan Sponsor.

### **1.04 PLAN PROFILE**

The Plan was established to receive assets from the Plan Sponsor. Thereafter, assets in the Plan are used to provide annuity payments to retired employees of the Plan Sponsor meeting the qualification guidelines detailed in the Plan. The Plan is regulated by the Employee Retirement Income Security Act ("ERISA"). Earnings or losses of the Plan are not subject to taxation. Distributions of benefits to retirees are taxable to the retiree/beneficiary.

## **1.05 PLAN FUNDING**

The Named Fiduciary has established a minimum allowable funding level of the Plan equal to the Accumulated Benefit Obligation and a maximum funding level equal to the Projected Benefit Obligation. The Plan Sponsor contributes periodic funds to the Plan based on guidance provided by the Plan's actuary and decisions made by the Named Fiduciary and accepted by the Southwest Power Pool, Inc. Board of Directors. It is expected that the Plan Sponsor will continue to make periodic contributions to the Plan into the foreseeable future.

## **2.01 INVESTMENT OBJECTIVES**

The overall objective of this Statement is to provide guidance for the investment of contributions and other Plan assets and to help maintain adequate funding for Plan liabilities. It is crucial the investment philosophy follow the guidelines of ERISA, primarily that the funds are managed solely in the interest of plan participants. The Named Fiduciary will utilize a portfolio approach when evaluating Plan return, risk, and cost.

## **2.02 RETURN OBJECTIVES**

The primary goal is to obtain a return annualized over the preceding five calendar years equal to or exceeding the actuarially assumed rate of return (currently 7%). Long-term returns above the actuarially assumed rate may serve to reduce the periodic funding required of the Plan Sponsor.

## **2.03 RISK OBJECTIVES**

The Plan assets will be managed with an average to above average risk profile. Currently the pension liabilities are relatively long-term in nature with minimal near term liquidity requirements, allowing for volatility above what one would expect from a portfolio with shorter term investment horizon.

Investments held by the Plan should at all times have readily available prices and sufficient trading volume so that investments can be bought and sold easily without significantly impacting the price of the investments.

## **2.04 COST OBJECTIVES**

The Named Fiduciary will strive to maintain the costs of funding and administering the Plan at a reasonable level and consistent with market costs for engaging qualified professionals to provide asset management and administration services.

## 2.05 ASSET ALLOCATION

The assets of the Plan will be invested in one or more of the following asset classes:

**Cash:** Comprised of demand deposit accounts, savings accounts, money market accounts, debt instruments with maturities of 3 months or less

**Debt Securities:** U.S. Dollar denominated fixed income securities with maturities in excess of 3 months including, but not limited to, Government and Agency issues, mortgage and asset backed securities, and corporate issues, or investment in professionally managed funds investing in the previously mentioned types of securities. Although fixed income investments rated less than investment grade are permitted, the average credit quality of the aggregate fixed income allocation should be investment grade.

**U.S. Equities:** Common and preferred equity securities of companies domiciled in the United States or in professionally managed funds investing primarily in the previously mentioned securities

**International Securities:** Direct investment or investment in professionally managed funds investing in common and preferred equity securities and debt securities of companies domiciled outside of the United States. Security issues of non U.S. domiciled entities may be acquired either through U.S. exchange traded American Depository Receipts or directly through non U.S. based exchanges. In no event will the market value of International Securities holdings exceed 20% of the market value of the Plan Assets. The Named Fiduciary will review the total international security holdings of the plan annually and determine if the level of holdings is appropriate. The Named Fiduciary may direct the investment managers to increase or reduce international security holdings at any time.

**Derivative Instruments:** No direct investment in derivative instruments is permitted, although investment is permitted in professionally managed funds that do use derivatives. Funds making use of derivatives must specifically prohibit the use of derivatives to achieve leverage.

In aggregate, the assets of the Plan shall target the asset allocation ranges listed below:

<b><u>Security Description</u></b>	<b><u>Lower Limit</u></b>	<b><u>Target</u></b>	<b><u>Upper Limit</u></b>
Cash	0%	5%	15%
Debt Securities	15%	25%	35%
Equity Securities (growth)	30%	35%	40%
Equity Securities (value)	30%	35%	40%

The Named Fiduciary will take appropriate action should the invested assets of the Plan stray more than 10% outside of the established allocation range.

## 2.06 PROHIBITED INVESTMENTS

The assets of the Plan shall not be used to invest in any investment not specifically permitted by this Statement. The Named Fiduciary does not limit investments in specific entities except as noted above. Investment managers are allowed to invest in electric utilities, including members of the Named Fiduciary, should they wish without restrictions. The Named Fiduciary shall not be permitted to direct any investment manager to invest in any particular individual security nor require the investment manager to provide notice to the Named Fiduciary prior to making investments permitted by this Statement.

### **3.01 SELECTION OF MONEY MANAGER(S)**

The Named Fiduciary shall select investment managers and, where appropriate, investment options based on the evaluation of qualitative and quantitative factors. The manager selection process will focus on the following five key aspects of an investment management firm and investment option:

1. **Organization** – evaluate the key elements of an efficient and successful investment management organization such as stable firm ownership, clear business objectives, industry reputation, and experienced and talented investment staff.
2. **Investment Philosophy and Process** – evaluate the key elements of a valid and well-defined investment approach such as unique sources of information, disciplined buy/sell decisions, systematic portfolio construction, and adequate risk controls.
3. **Resources** – evaluate the state of current and proposed resources supporting the investment process including the quality and depth of research and the adequacy of information management, compliance and trading systems.
4. **Performance** – evaluate historical returns and risks relative to passive indexes, peer groups, and other competing firms.
5. **Management Fees** – evaluate the proposed fee structure relative to the industry and other competing candidates.

These factors are chosen to insure manager/option selections are made with a prudent degree of care, and excessive risk is avoided. Notwithstanding the above, the Named Fiduciary may also include other factors that may be appropriate to a specific manager/option selection exercise.

### **3.02 ACKNOWLEDGEMENT OF FIDUCIARY RESPONSIBILITY**

Any and all investment managers selected to invest the assets of the Plan will be required, as a condition of their selection, to acknowledge their fiduciary status and responsibility to the Plan, in writing. This requirement shall not require the investment manager of a mutual fund in which the Plan invests to acknowledge fiduciary status.

### **3.03 MONITORING THE INVESTMENT MANAGER**

The objective of the investment manager monitoring process is to identify on a timely basis any adverse changes to the investment manager's organization or investment process by periodically evaluating a number of qualitative and quantitative factors. In addition, once adverse changes are identified, the monitoring process shall also dictate the timing and manner of response.

The Named Fiduciary shall evaluate the investment managers/options at least annually using the framework in 3.01 above, in addition to using any other factors the Named Fiduciary believes are appropriate to the inquiry. These factors are intended to insure that decisions to retain investment managers/options are made with a prudent degree of care and excessive risk is avoided.

If results from the monitoring process indicate substandard investment performance or a potentially adverse change in the investment manager's organization or investment process, the Named Fiduciary may choose one of several courses of action including assigning the investment manager/option a temporary probationary status known as the Watch List, undertaking an in-depth review, or terminating the investment manager/option.

Being placed on the Watch List is meant to convey the Named Fiduciary's increased level of concern about a particular issue or event, which if left unresolved, could endanger the future relationship. An in-depth review may be undertaken as a result of the manager/option failing to rectify the issues that led to their placement on the Watch List, or in response to a major adverse change in the investment manager's organization or investment process to the extent the Named Fiduciary seriously questions the firm's ability to manage the portfolio going forward. The purpose of the in-depth review is to determine whether terminating the manager/option is an appropriate course of action.

### **3.04 TERMINATION/REPLACEMENT OF INVESTMENT MANAGERS**

The Named Fiduciary may eliminate or replace the investment manager/option any time the Named Fiduciary deems it in the best interests of the Plan.



# Memorandum

To: SPP Officers / Directors / Managers  
From: Sheri Parish / Cindy Goodwin  
Date: August 17, 2012  
RE: July 2012 Financials

Attached are the July 2012 monthly financial reports.

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1). <b>Financial Commentary:</b> Full Year Actual to Budget Variances	1
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<b>Summary</b>				
	<u>2012 FY Forecast</u>	<u>2012 FY Budget</u>	<u>Fav/(Unfav) Variance</u>	
Revenues	\$148,160	\$146,415	\$1,746	1.2%
Expenses	147,038	151,953	4,915	3.2%
Net Income/(Loss)	<u>\$1,122</u>	<u>(\$5,539)</u>	<u>\$6,661</u>	120.3%

<b>Revenue</b>				
	<u>2012 FY Forecast</u>	<u>2012 FY Budget</u>	<u>Fav/(Unfav) Variance</u>	
Tariff Administration Service	\$92,058	\$90,131	\$1,927	2.1%
Fees & Assessments	26,715	26,909	(194)	(0.7%)
Contract Services & Misc Income	29,387	29,375	12	0.0%
Total Revenue	<u>\$148,160</u>	<u>\$146,415</u>	<u>\$1,746</u>	1.2%

Revenue exceeds budget for Tariff Administrative Services due to 2011 NITS load exceeding 2012 budget (\$1.9M).

Regional Entity revenues trail budget due to lower audit and project consulting expenditures to date (\$1.7M). The unfavorable variance is partially offset by FERC assessments exceeding budget due to adjustments for recovery of prior year under collections (\$1.5M). Reductions in RE expenditures are mainly associated with the violation caseload project and the BES definition and exception process.

SPP received a \$1.0M settlement for a FERC penalty charged against Constellation Energy Group which created a favorable variance to budget for Miscellaneous Income. Generally, Miscellaneous Income consists primarily of accrued revenue associated with billable resource time related to various studies. Billing associated with studies has been lower than anticipated year to date, resulting in an offset to the favorable variance for the FERC penalty.



<b>Expense</b>				
	2012 FY Forecast	2012 FY Budget	Fav/(Unfav) Variance	
Salary & Benefits	\$72,266	\$72,222	(\$44)	(0.1%)
Assessments & Fees	14,977	15,410	433	(2.8%)
Communications & Maintenance	12,823	13,904	1,081	7.8%
Outside Services	15,397	18,700	3,304	17.7%
Depreciation & Amortization	16,365	17,317	952	5.5%
Other Expenses	15,210	14,401	(810)	(5.6%)
<b>Total Expense</b>	<b>\$147,038</b>	<b>\$151,953</b>	<b>\$4,915</b>	<b>3.2%</b>

Overall, Salaries & Benefits are forecasted to be over budget by \$44K. The primary contributors to the unfavorable variance are as follows:

- \$487K - Increases in SPP self-funded health care plan expenses
- \$292K - Increases to the pension funding accrual
- \$112K - Miscellaneous benefit fluctuations

Substantially offsetting the unfavorable variance is Salary Expense (\$775k) and Continuing Education (\$160K). The actual vacancy rate continues to exceed the rate assumed in the budget.

The accrual for FERC Assessments & Fees was adjusted in June after receiving the 2011 FERC invoice, which was lower than what had been expensed (accrued) in the previous year. This causes a favorable variance in 2012 since the overaccrual results in a reduction to current year expense.

Communications and Maintenance are favorable to budget due to the following:

- Manufacturer supply shortages of computer equipment have resulted in lower than expected new equipment maintenance contracts
- Favorable pricing negotiations of software maintenance and conferencing rates has resulted in lower than expected expense
- Lower than expected YTD charges for member circuits

Outside Services are favorable to budget due to the following:

- Lower than expected usage of contractors for Regional Entity audit work, legal and regulatory engagements, and RTO Engineering studies
- Reduction in consulting expenses for lower prioritized projects due to increased prioritization of all Marketplace activities for current staff
- Delay in implementation of after-hours monitoring of IT Command Center

The favorable variances mentioned above are partially offset by unbudgeted expenditures associated with the Entergy/MISO cost analysis study

The budget assumed depreciation on the new Ops Center would begin in April. Actual depreciation did not commence until July, resulting in a favorable variance to budget in Depreciation expense.

Other Expenses, which is composed of interest income & expense, miscellaneous income & expense, and various valuation adjustments, are unfavorable to budget largely due to our budget assumptions for capitalized interest being higher than what has occurred to date in the current year. Capitalized Interest is impacted by the timing and amount of capital expenditures on significant projects.



## Southwest Power Pool

### Forecast Overview

As of July 2012

### CONSOLIDATED TOTAL

(in thousands)

(Unaudited)

	Actual Jan-12	Actual Feb-12	Actual Mar-12	Actual Apr-12	Actual May-12	Actual Jun-12	Actual Jul-12	FCST Aug-12	FCST Sep-12	FCST Oct-12	FCST Nov-12	FCST Dec-12	FY 2012 Forecast	FY 2012 Budget	Variance Fav/(Unfav)	FY 2011 Actuals	Variance Fav/(Unfav)
<b>Income</b>																	
Tariff Administration Service	\$7,844	\$7,340	\$7,716	\$7,617	\$7,763	\$7,543	\$7,808	\$7,795	\$7,535	\$7,779	\$7,540	\$7,778	\$92,058	\$90,131	\$1,927	\$71,702	\$20,355
Fees & Assessments	2,519	2,123	1,964	1,903	1,960	2,240	2,507	2,390	2,390	2,240	2,240	2,240	26,715	26,909	(194)	24,123	2,592
Contract Services Revenue	2,244	2,427	2,169	2,188	2,151	2,315	2,265	2,199	1,515	1,515	1,515	1,515	24,018	23,759	258	26,549	(2,531)
Miscellaneous Income	506	530	1,350	519	280	528	243	(428)	550	435	392	467	5,370	5,616	(246)	6,566	(1,196)
<b>Total Income</b>	<b>13,113</b>	<b>12,420</b>	<b>13,200</b>	<b>12,227</b>	<b>12,153</b>	<b>12,626</b>	<b>12,823</b>	<b>11,956</b>	<b>11,990</b>	<b>11,969</b>	<b>11,687</b>	<b>12,000</b>	<b>148,160</b>	<b>146,415</b>	<b>1,746</b>	<b>128,940</b>	<b>19,220</b>
<b>Expense</b>																	
Salary	3,872	3,933	3,947	3,984	3,877	4,097	4,112	4,200	4,285	4,377	4,416	4,415	49,515	50,289	775	44,471	(5,043)
Benefits & Taxes	1,654	2,015	1,747	1,784	1,730	1,920	1,933	1,830	1,857	1,908	1,892	1,925	22,194	21,215	(979)	19,528	(2,666)
Continuing Education	34	15	36	68	33	27	37	56	133	47	31	42	557	717	160	515	(42)
Salary & Benefits	5,560	5,963	5,730	5,836	5,640	6,044	6,082	6,086	6,275	6,331	6,338	6,382	72,266	72,222	(44)	64,514	(7,752)
Employee Travel	105	154	173	193	236	222	216	289	343	296	199	160	2,586	3,002	416	1,655	(931)
Administrative	303	270	347	374	324	300	363	275	266	584	252	265	3,922	4,212	290	3,003	(919)
Assessments & Fees	1,284	1,284	1,284	1,284	1,284	697	1,310	1,310	1,310	1,310	1,310	1,310	14,977	15,410	433	16,639	1,662
Meetings	53	70	93	119	80	53	64	70	152	218	78	97	1,146	1,445	299	838	(309)
Communications	294	379	404	374	351	380	377	399	359	359	359	359	4,396	4,592	195	3,204	(1,193)
Leases	158	151	158	153	155	151	381	68	68	68	68	68	1,648	1,631	(17)	1,624	(24)
Maintenance	600	629	633	667	532	673	713	780	772	830	772	825	8,427	9,312	885	7,308	(1,119)
Services	935	1,404	929	1,110	1,141	1,156	1,399	1,399	1,639	1,391	1,514	1,380	15,397	18,700	3,304	15,813	416
Regional State Committee	41	77	53	38	21	72	51	23	23	23	23	83	527	394	(133)	311	(216)
Depreciation & Amortization	1,173	1,162	1,117	1,008	1,289	1,058	1,561	1,646	1,635	1,617	1,613	1,487	16,365	17,317	952	13,107	(3,258)
<b>Total Expense</b>	<b>10,505</b>	<b>11,543</b>	<b>10,922</b>	<b>11,158</b>	<b>11,052</b>	<b>10,807</b>	<b>12,517</b>	<b>12,344</b>	<b>12,842</b>	<b>13,028</b>	<b>12,525</b>	<b>12,415</b>	<b>141,656</b>	<b>148,237</b>	<b>6,581</b>	<b>128,015</b>	<b>(13,641)</b>
<b>Other Income/(Expense)</b>																	
Other Income / Expense	14	43	3	(2)	(83)	46	1	-	-	-	-	-	21	-	21	(3,998)	4,019
Interest Income	29	25	19	5	(24)	27	17	-	-	-	-	-	97	-	97	157	(60)
Interest Expense	(664)	(685)	(702)	(678)	(677)	(815)	(791)	(781)	(781)	(904)	(904)	(903)	(9,285)	(7,945)	(1,340)	(8,250)	1,035
Capitalized Interest	-	-	995	-	-	780	-	-	1,035	-	-	-	3,490	4,229	(739)	1,943	(1,547)
Swap Valuation	-	-	292	-	-	3	-	-	-	-	-	-	295	-	295	183	(112)
<b>Net Other Income (Expense)</b>	<b>(621)</b>	<b>(617)</b>	<b>607</b>	<b>(675)</b>	<b>(784)</b>	<b>40</b>	<b>(773)</b>	<b>(781)</b>	<b>254</b>	<b>(904)</b>	<b>(904)</b>	<b>(223)</b>	<b>(5,382)</b>	<b>(3,716)</b>	<b>(1,666)</b>	<b>(9,965)</b>	<b>3,335</b>
<b>Net Income (Loss)</b>	<b>\$1,987</b>	<b>\$260</b>	<b>\$2,885</b>	<b>\$393</b>	<b>\$317</b>	<b>\$1,859</b>	<b>(\$467)</b>	<b>(\$1,169)</b>	<b>(\$598)</b>	<b>(\$1,963)</b>	<b>(\$1,742)</b>	<b>(\$639)</b>	<b>\$1,122</b>	<b>(\$5,539)</b>	<b>\$6,661</b>	<b>(\$9,040)</b>	<b>\$10,162</b>
2012 Headcount Actual/Fcst	518	524	526	531	528	535	546	556	569	578	584	582	582				
2012 Headcount Budget	548	561	575	579	581	585	588	588	590	590	590	590	590				
<b>Over / (Under) Budget</b>	<b>(30)</b>	<b>(37)</b>	<b>(49)</b>	<b>(48)</b>	<b>(53)</b>	<b>(50)</b>	<b>(42)</b>	<b>(32)</b>	<b>(21)</b>	<b>(12)</b>	<b>(6)</b>	<b>(8)</b>	<b>(8)</b>				



**Southwest Power Pool**  
**Actual Results Overview**  
**For the Month Ending July 31, 2012**  
*(in thousands)*

	Current Month Compared to Forecast			YTD	YTD	Variance Fav/(Unfav)	YTD	YTD	Variance Fav/(Unfav)
	Jul-12 Actual	Jul-12 Forecast	Variance Fav/(Unfav)	Jul-12 Actual	Jul-12 Budget		Jul-12 Current Year	Jun-2011 Prior Year	
<b>Income</b>									
Tariff Administration Service	\$7,808	\$7,799	\$9	\$53,631	\$52,576	\$1,054	\$53,631	\$41,642	\$11,989
Fees & Assessments	2,507	2,390	117	15,215	15,854	(639)	15,215	13,892	1,323
Contract Services Revenue	2,265	2,187	79	15,759	15,500	259	15,759	15,392	367
Miscellaneous Income	243	483	(240)	3,956	3,302	654	3,956	3,397	559
<b>Total Income</b>	<u>12,823</u>	<u>12,858</u>	<u>(35)</u>	<u>88,561</u>	<u>87,232</u>	<u>1,328</u>	<u>88,561</u>	<u>74,322</u>	<u>14,238</u>
<b>Expense</b>									
Salary	4,112	4,135	23	27,824	28,927	1,103	27,824	24,721	(3,102)
Benefits & Taxes	1,933	1,798	(135)	12,783	12,322	(461)	12,783	11,098	(1,686)
Continuing Education	37	50	13	249	385	136	249	353	104
Salary & Benefits	<u>6,082</u>	<u>5,983</u>	<u>(99)</u>	<u>40,856</u>	<u>41,634</u>	<u>778</u>	<u>40,856</u>	<u>36,172</u>	<u>(4,684)</u>
Employee Travel	216	309	94	1,299	1,730	432	1,299	976	(323)
Administrative	363	345	(18)	2,280	2,534	255	2,280	1,729	(550)
Assessments & Fees	1,310	1,310	-	8,428	8,989	562	8,428	9,680	1,253
Meetings	64	139	75	532	834	302	532	481	(51)
Communications	377	389	12	2,559	2,796	236	2,559	1,822	(737)
Leases	381	319	(62)	1,307	1,101	(206)	1,307	1,082	(225)
Maintenance	713	782	69	4,448	5,172	723	4,448	3,993	(456)
Services	1,399	1,402	3	8,074	11,353	3,279	8,074	7,530	(544)
Regional State Committee	51	23	(29)	353	221	(133)	353	78	(275)
Depreciation & Amortization	1,561	1,650	90	8,367	9,320	952	8,367	7,702	(665)
<b>Total Expense</b>	<u>12,517</u>	<u>12,651</u>	<u>135</u>	<u>78,504</u>	<u>85,684</u>	<u>7,180</u>	<u>78,504</u>	<u>71,245</u>	<u>(7,259)</u>
<b>Other Income/(Expense)</b>									
Other Income / Expense	1	-	1	21	-	21	21	17	5
Interest Income	17	-	17	97	-	97	97	97	()
Interest Expense	(791)	(656)	(135)	(5,012)	(2,198)	(2,814)	(5,012)	(4,622)	(390)
Capitalized Interest	-	-	-	1,775	-	1,775	1,775	670	(1,105)
Swap Valuation	-	-	-	295	-	295	295	300	(5)
<b>Net Other Income (Expense)</b>	<u>(773)</u>	<u>(656)</u>	<u>(117)</u>	<u>(2,824)</u>	<u>(2,198)</u>	<u>(626)</u>	<u>(2,824)</u>	<u>(3,538)</u>	<u>(1,496)</u>
<b>Net Income (Loss)</b>	<u>(\$467)</u>	<u>(\$449)</u>	<u>(\$18)</u>	<u>\$7,233</u>	<u>(\$649)</u>	<u>\$7,882</u>	<u>\$7,233</u>	<u>(\$460)</u>	<u>\$7,693</u>



**Southwest Power Pool**  
**Balance Sheet**  
**As of July 31, 2012**  
*(in thousands)*

	<u>7/31/2012</u>	<u>12/31/2011</u>	<u>Variance</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Equivalents	\$77,044	\$73,763	\$3,281
Restricted Cash Deposits	37,675	34,904	2,771
Accounts Receivable (net)	17,660	15,901	1,759
Other Current Assets	10,992	6,636	4,356
<b>Total Current Assets</b>	<b>143,371</b>	<b>131,204</b>	<b>12,167</b>
Total Fixed Assets	152,893	112,188	40,705
Total Other Assets	1,867	2,141	(274)
Investments	843	775	68
<b>TOTAL ASSETS</b>	<b><u>\$298,974</u></b>	<b><u>\$246,307</u></b>	<b><u>\$52,668</u></b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable (net)	\$11,117	\$17,816	(\$6,699)
Customer Deposits	37,300	34,903	2,397
Current Maturities of LT Debt	11,947	11,206	741
Other Current Liabilities	32,305	25,741	6,564
Deferred Revenue	6,324	7,450	(1,126)
<b>Total Current Liabilities</b>	<b>98,993</b>	<b>97,117</b>	<b>1,876</b>
<b>Long Term Liabilities</b>			
US Bank Floating Senior Note - 2014	8,250	11,000	(2,750)
US Bank 5.45% Senior Notes - 2016	18,000	21,000	(3,000)
US Bank Maumelle Mortgage - 2027	3,855	3,958	(103)
Campus 4.82% Senior Notes - 2042	64,509	65,000	(491)
Integrated Marketplace 3.55% Senior Note - 2024	70,000	70,000	0
Senior Notes - 2024	50,000	0	50,000
Other Long Term Liabilities	7,557	7,655	(98)
<b>Total Long Term Liabilities</b>	<b>222,170</b>	<b>178,612</b>	<b>43,558</b>
Net Income	7,233	(9,040)	16,273
Members' Equity	(29,422)	(20,382)	(9,040)
<b>Total Members' Equity</b>	<b>(22,189)</b>	<b>(29,422)</b>	<b>7,233</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>\$298,974</u></b>	<b><u>\$246,307</u></b>	<b><u>\$52,668</u></b>



2012 Project Commentary  
As of July 2012  
(in thousands)

**Integrated Market Place**

	Capitalized Expense *
Current Projections	\$105,270
Approved Target	\$105,640
Over/(Under)	(\$370)

The IM project is currently forecasted at \$.37MM less than the board approved target of \$105.6MM. This is an unfavorable movement of approximately \$.07 million from the June 30th report. Significant changes from the prior month include the following:

- Addition of Alstom resources for development of CBA Dispatch Training Simulator - \$.05 million
- Addition of OATI resources for development of Asset Owner Mapping Interface - \$.018 million

\* Does not include High Availability

**Corporate Campus Construction and Migration**

	Capitalized Expense
Current Projections	\$83,589
Approved Target	\$88,553
Over/(Under)	(\$4,964)

The facility project remains on target and under budget. Costs for data center hardware were significantly lower than original projections. The overall project is projected to be \$4.9 MM under budget.

- The contractor remains on-site to address the following construction items still in progress:
  - 1) Installation of Poulson lighted benches for the courtyard north of the office building
  - 2) Installation of stainless steel railing for the northwest balconies
  - 3) Accents to the main entrance sign
  - 4) Programming of the lighting controls in the office building
  - 5) Commissioning and testing of the mechanical systems
  - 6) Scheduling and completion of owner training for all building management systems
- Balancing of the mechanical systems (HVAC) will be completed later in the year as seasonal changes occur. The previously-reported issue with chiller failures at low loads has been resolved by the manufacturer and contractors. Validation testing was completed on August 1st, and full commissioning of the Central Energy Plant is scheduled for completion on August 31st.
- All aspects of the Data Center migration and network deployment of the Office Building are complete. Final programming and configuration of A/V systems has been completed in all meeting spaces. Support staff training will be provided during the week of August 20th. Printed training materials will be provided to all SPP staff via the Circuit the same week.
- Furniture deliveries are complete, with the exception of exchanges for damaged or incorrectly shipped items. Floor-to-ceiling wall components have not arrived for two areas. These will be installed as received. Knoll cabinets in Executive offices and partitions for training carrels in the ODC are scheduled for late delivery following installation issues.



2012 Project Commentary  
As of July 2012  
(in thousands)

Budget Analysis of the Facilities Program As of August 13, 2012				
Budget Item	Budgets		Actual Expenditures	Estimate to Completion
	SPP Approved	Projection		
<b>Construction Project</b>				
Land	\$ 4,574	\$ 4,574	\$ 4,566	\$ -
Ops/Data Center	\$ 25,541	\$ 24,896	\$ 22,477	\$ -
Construction	\$ 23,829	\$ 23,184	\$ 20,736	\$ -
Professional	\$ 1,712	\$ 1,712	\$ 1,741	\$ -
Office Building	\$ 32,081	\$ 32,194	\$ 29,429	\$ 5,191
Construction	\$ 29,298	\$ 29,417	\$ 26,391	\$ 4,624
Professional	\$ 2,783	\$ 2,777	\$ 3,038	\$ 567
<b>Totals - Construction</b>	<b>\$ 62,196</b>	<b>\$ 61,663</b>	<b>\$ 56,472</b>	<b>\$ 5,191</b>
<b>Migration Project</b>				
Furnishings & Decommission	\$ 11,550	\$ 9,303	\$ 8,433	\$ 870
Data Center Hardware	\$ 4,969	\$ 4,168	\$ 3,691	\$ 477
Operations Center Hardware, AV & Desktop	\$ 1,491	\$ 1,022	\$ 1,022	\$ -
Network, Telecom & Physical Security	\$ 7,500	\$ 7,432	\$ 7,432	\$ -
Contingency (5%)	\$ 847	\$ -	\$ -	\$ -
<b>Totals - Migration</b>	<b>\$ 26,357</b>	<b>\$ 21,926</b>	<b>\$ 20,579</b>	<b>\$ 1,347</b>
<b>Total Project (Capitalized)</b>	<b>\$ 88,553</b>	<b>\$ 83,589</b>	<b>\$ 77,051</b>	<b>\$ 6,538</b>
Decommission Plaza West Expense	\$ -	\$ -	\$ 631	\$ -
<p><sup>1</sup> Estimates of projected work activity for Construction provided by Nabholz Construction Services.</p> <p><sup>2</sup> This expense was originally included in the capital project budget for 2012, but was actually expensed (accrued) in 2011.</p>				

**SOUTHWEST POWER POOL**  
**2012 FORECAST**  
**PROJECT OVERVIEW, DESCRIPTIONS ANALYSIS**



**PRPC Projects (in thousands)**

	Prior Year(s) Expense	Q1 Actual	Q2 Forecast	Q3 Forecast	Q4 Forecast	Total 2012	Future Expense	Total Project	Budget Thru 2014	Over/(Under) Budget
Integrated Marketplace (Future Markets) thru 2014	\$29,440	\$9,161	\$9,718	\$15,570	\$13,360	\$47,809	\$25,535	\$102,784	\$101,001	\$1,784
High Availability	\$2,367	-	\$47	\$460	\$215	\$722	-	\$3,089	\$5,120	(2,031)
Consolidated Balancing Authority	\$1,263	\$105	(138)	\$385	\$112	\$465	\$756	\$2,484	\$4,639	(2,155)
<b>Future Markets Initiatives Total</b>	<b>\$33,071</b>	<b>\$9,267</b>	<b>\$9,627</b>	<b>\$16,415</b>	<b>\$13,687</b>	<b>\$48,996</b>	<b>\$26,291</b>	<b>\$108,358</b>	<b>\$110,760</b>	<b>(2,402)</b>
New Facilities Construction	\$47,604	\$3,217	\$4,748	\$6,094	-	\$14,059	-	\$61,663	\$61,933	(270)
Facility Migration	\$10,777	\$2,768	\$6,028	\$2,353	-	\$11,149	-	\$21,926	\$26,620	(4,694)
Decommission Offices	\$26	\$33	\$1	-	-	\$34	-	\$60	-	\$60
New Facility-New Office Building Furnishings	\$500	\$1,893	\$4,980	\$1,869	-	\$8,743	-	\$9,243	\$5,120	\$4,123
New Facility-Hardware for New Data Center *	\$3,552	\$45	\$94	\$477	-	\$616	-	\$4,168	\$61,933	(57,765)
New Facility-Operations Hardware - Office Support	\$269	\$313	\$440	-	-	\$753	-	\$1,022	\$26,620	(25,598)
New Facility-Security Infrastructure-Office/Campus	-	-	-	-	-	-	-	-	\$24,329	(24,329)
New Facility-Telecom/Network/Security *	\$6,429	\$483	\$513	\$8	-	\$1,003	-	\$7,432	-	\$7,432
<b>New Facility Initiatives Total</b>	<b>\$58,381</b>	<b>\$5,984</b>	<b>\$10,776</b>	<b>\$8,448</b>	<b>-</b>	<b>\$25,208</b>	<b>-</b>	<b>\$83,589</b>	<b>\$88,553</b>	<b>(4,964)</b>
EMS Upgrade	\$608	\$185	\$126	\$92	\$115	\$518	-	\$1,126	\$1,265	(139)
Centralized Modeling Tool	\$337	\$318	\$546	\$524	\$374	\$1,762	\$355	\$2,454	\$1,863	\$591
EMS Enhancements-Foundation	\$67	\$10	\$15	\$66	\$25	\$116	\$250	\$433	\$469	(36)
PRR Implementation Foundation	\$100	-	-	-	\$50	\$50	\$300	\$450	\$649	(199)
Add - Remove SPP Market Entities (BAs, MPs, etc.)	\$31	\$4	\$4	\$25	-	\$32	\$125	\$188	\$215	(27)
E-terra Vision Implementation	-	-	-	\$25	-	\$25	\$100	\$125	\$193	(68)
Model Change Submission Tool	-	-	-	-	-	-	-	-	-	-
Ops Automation #1 OATI	-	-	-	\$10	\$10	\$20	\$150	\$170	\$210	(40)
Ops Automation #1 RTOSS-Settlements	-	-	-	-	-	-	-	-	\$113	(113)
Ops Automation #1 DC Ties	-	-	-	-	-	-	\$200	\$200	\$364	(164)
Combined Cycle	-	-	-	-	-	-	\$11,800	\$11,800	\$11,800	-
Replace OPS1 Outage Coordination Scheduler	\$300	\$33	\$33	-	-	\$65	-	\$365	\$133	\$232
<b>Operations Initiatives Total</b>	<b>\$1,444</b>	<b>\$550</b>	<b>\$724</b>	<b>\$741</b>	<b>\$573</b>	<b>\$2,588</b>	<b>\$13,280</b>	<b>\$17,312</b>	<b>\$17,275</b>	<b>\$37</b>
<i>ITP Data Repository **</i>	\$30	-	-	-	-	-	-	\$30	\$184	(154)
Project Tracking Database (TAGIT)	-	-	-	-	-	-	-	-	\$150	(150)
Credit Process Stack List Analysis	-	-	-	\$59	-	\$59	-	\$59	\$295	(236)
Electromagnetic Transient Program (EMTP)	-	-	-	-	-	-	-	-	\$80	(80)
Redundant EnFuzion Node and PSSE/MUST Lock	-	-	-	-	-	-	-	-	\$23	(23)
<b>Engineering Initiatives Total</b>	<b>\$30</b>	<b>-</b>	<b>-</b>	<b>\$59</b>	<b>-</b>	<b>\$59</b>	<b>-</b>	<b>\$89</b>	<b>\$732</b>	<b>(643)</b>
e-Tariff Phase II	\$383	-	-	-	-	-	-	\$383	\$950	(567)
<b>Regulatory Initiatives Total</b>	<b>\$383</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$383</b>	<b>\$950</b>	<b>(567)</b>
SPP Budgeting & Forecasting System	-	-	-	-	\$40	\$40	-	\$40	\$40	-
<b>Administration Initiatives Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$40</b>	<b>\$40</b>	<b>-</b>	<b>\$40</b>	<b>\$40</b>	<b>-</b>
Request Management System	-	-	-	-	-	-	\$182	\$182	\$273	-
<b>Process Integrity Initiatives Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$182</b>	<b>\$182</b>	<b>\$273</b>	<b>-</b>
<b>Total PRPC Managed Projects</b>	<b>\$93,308</b>	<b>\$15,801</b>	<b>\$21,127</b>	<b>\$25,663</b>	<b>\$14,300</b>	<b>\$76,891</b>	<b>\$39,753</b>	<b>\$209,952</b>	<b>\$218,582</b>	<b>(8,539)</b>

**SOUTHWEST POWER POOL  
2012 FORECAST  
PROJECT OVERVIEW, DESCRIPTIONS ANALYSIS**



	Prior Year(s) Expense	Q1 Actual	Q2 Forecast	Q3 Forecast	Q4 Forecast	Total 2012	Future Expense	Total Project	Budget Thru 2014	Over/(Under) Budget
<b>Non-PRPC Projects (in thousands)</b>										
MOS Enhancements Foundation	\$120	\$2	\$1	\$13	\$20	\$36	\$800	\$957	\$969	(12)
OATI Enhancements	\$196	\$24	\$89	\$39	\$39	\$191	\$200	\$587	\$537	\$50
<b>Operations Initiatives Total</b>	<b>\$316</b>	<b>\$26</b>	<b>\$90</b>	<b>\$52</b>	<b>\$59</b>	<b>\$228</b>	<b>\$1,000</b>	<b>\$1,544</b>	<b>\$1,506</b>	<b>\$38</b>
<i>Stochastic Modeling Tool**</i>	-	-	-	\$70	\$100	\$170	-	\$170	\$170	-
<b>Engineering Initiatives Total</b>	<b>\$73</b>	<b>\$91</b>	<b>\$23</b>	<b>\$202</b>	<b>\$70</b>	<b>\$387</b>	<b>\$59</b>	<b>\$518</b>	<b>\$421</b>	<b>\$97</b>
2012 IT Apps Foundation	\$19	\$9	-	-	-	\$9	-	\$28	\$91	(63)
2012 IT Data Management Foundation	\$3,200	\$881	\$174	\$325	\$50	\$1,430	\$3,424	\$8,054	\$9,493	(1,439)
2012 IT Server Admin Foundation	\$263	\$92	\$226	\$881	\$509	\$1,709	\$950	\$2,921	\$3,191	(270)
2012 IT Service Management Foundation	\$13	\$16	-	\$125	\$15	\$156	\$120	\$290	\$336	(46)
2012 IT Environment Ops Foundation	\$326	\$183	\$78	\$210	\$270	\$741	\$3,001	\$4,068	\$4,523	(455)
2012 IT Tele/Network/Security Foundation	CIP (Ver 4) Project	\$35	\$16	-	-	\$16	-	\$51	-	\$51
<b>IT Initiatives Total</b>	<b>\$3,929</b>	<b>\$1,287</b>	<b>\$502</b>	<b>\$1,744</b>	<b>\$914</b>	<b>\$4,447</b>	<b>\$7,553</b>	<b>\$15,930</b>	<b>\$18,055</b>	<b>(2,125)</b>
AREVA ETS Foundation	\$250	-	-	-	\$75	\$75	\$150	\$475	\$475	-
<b>Administration Initiatives Total</b>	<b>\$250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$75</b>	<b>\$75</b>	<b>\$150</b>	<b>\$475</b>	<b>\$475</b>	<b>-</b>
<b>Total PRPC Managed Projects</b>	<b>\$4,495</b>	<b>\$1,313</b>	<b>\$592</b>	<b>\$1,866</b>	<b>\$1,148</b>	<b>\$4,919</b>	<b>\$8,703</b>	<b>\$18,118</b>	<b>\$20,206</b>	<b>(2,088)</b>
<b>TOTAL PROJECTS</b>	<b>\$97,803</b>	<b>\$17,114</b>	<b>\$21,719</b>	<b>\$27,529</b>	<b>\$15,448</b>	<b>\$81,810</b>	<b>\$48,456</b>	<b>\$228,070</b>	<b>\$238,788</b>	<b>(10,627)</b>
<b>2012 Unbudgeted</b>										
EDNA Software Replacement	-	\$1,000	-	-	-	\$1,000	-	\$1,000	-	\$1,000
Standardized Cost Estimate Reporting Template (SCERT)	-	-	\$128	\$12	-	\$140	-	\$140	-	\$140
Nefezza Upgrade	-	-	-	\$519	-	\$519	-	\$519	-	\$519
EMS Marketplace Readiness	-	-	\$165	\$136	\$53	\$353	-	\$353	-	\$353
ICCP Architecture	-	-	\$54	-	-	\$54	-	\$54	-	\$54
	\$0	-	-	-	-	-	-	\$0	-	\$0
<b>2012 Unbudgeted Items</b>	<b>\$0</b>	<b>\$1,000</b>	<b>\$346</b>	<b>\$666</b>	<b>\$53</b>	<b>\$2,065</b>	<b>-</b>	<b>\$2,065</b>	<b>-</b>	<b>\$2,065</b>
<b>TOTAL PROJECTS INCLUDING UNBUDGETED</b>	<b>\$97,803</b>	<b>\$18,114</b>	<b>\$22,065</b>	<b>\$28,196</b>	<b>\$15,500</b>	<b>\$83,876</b>	<b>\$48,456</b>	<b>\$230,136</b>	<b>\$238,788</b>	<b>(8,562)</b>

\* 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.



	Current Month Actual vs. Budget			Forecast vs. Budget		
	Actual	Budget	Over/(Under)	FY 2012	FY 2012	Over/(Under)
	Jul-12	Jul-12	Budget	Forecast	Budget	Budget
Administration	0	0	0	0	0	0
Officers	10	10	0	10	10	0
Accounting	10	10	0	10	10	0
Credit	4	4	0	4	4	0
Human Resources	25	25	0	27	25	2
Settlements	24	26	(2)	26	26	0
<b>Total Administration</b>	<b>73</b>	<b>75</b>	<b>(2)</b>	<b>77</b>	<b>75</b>	<b>2</b>
Inter-Regional Affairs	1	1	0	1	1	0
Project Management	14	13	1	14	13	1
Training	11	11	0	11	11	0
Customer Service	8	9	(1)	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
<b>Total Process Integrity</b>	<b>45</b>	<b>46</b>	<b>(1)</b>	<b>46</b>	<b>46</b>	<b>0</b>
SPP Compliance	11	13	(2)	13	13	0
Communications	3	3	0	3	3	0
Market Monitoring	12	14	(2)	14	14	0
Internal Audit	6	6	0	6	6	0
<b>Total Compliance &amp; Corporate Affairs</b>	<b>32</b>	<b>36</b>	<b>(4)</b>	<b>36</b>	<b>36</b>	<b>0</b>
<b>Total SPP Regional Entity</b>	<b>27</b>	<b>32</b>	<b>(5)</b>	<b>32</b>	<b>32</b>	<b>0</b>
<b>Total Information Technology</b>	<b>131</b>	<b>140</b>	<b>(9)</b>	<b>137</b>	<b>140</b>	<b>(3)</b>
<b>Total Markets</b>	<b>5</b>	<b>6</b>	<b>(1)</b>	<b>6</b>	<b>6</b>	<b>0</b>
<b>Total Operations</b>	<b>148</b>	<b>155</b>	<b>(7)</b>	<b>155</b>	<b>156</b>	<b>(1)</b>
<b>Total Engineering</b>	<b>47</b>	<b>54</b>	<b>(7)</b>	<b>53</b>	<b>42</b>	<b>11</b>
<b>Total Contract Services</b>	<b>18</b>	<b>21</b>	<b>(3)</b>	<b>17</b>	<b>34</b>	<b>(17)</b>
<b>Total Reglulatory Policy &amp; General Counsel</b>	<b>20</b>	<b>23</b>	<b>(3)</b>	<b>23</b>	<b>23</b>	<b>0</b>
<b>TOTAL HEADCOUNT</b>	<b>546</b>	<b>588</b>	<b>(42)</b>	<b>582</b>	<b>590</b>	<b>(8)</b>

Forecast vs. Budget

Original Budget	590
IT DBA position approved out of budget	1
IT eliminated 5 Part-time Svc Desk positions, replaced with 2 full-time	(3)
No backfill for Ops position promotions	(2)
4 ICT positions eliminated in Engineering	(4)
Current Forecast	<u>582</u>

Req. #	Position	Dept #	Dept Name	Status
11-148	Outreach Coordinator	230	Compliance	↓
11-154	Market Monitor	720	Market Monitoring	↓
12-002	HR Generalist I	150	Human Resources	↓
12-003	Sr. IT Specialist, DBA	510	IT Applications	↓
12-012	Sr. Market Monitor	720	Market Monitoring	↓
12-024	Sr. Compliance Specialist	130	RE - Compliance	↓
12-025	Sr. Compliance Specialist	130	RE - Compliance	↓
12-033	Operations Analyst II, Model Coordination	860	Operations Support	↓
12-034	Operations Analyst II, Model Coordination	860	Operations Support	↓
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	↓
12-041	Sr. Market Analyst, RT Market Policy	840	Market Operations	↓
12-063	Sr. IT Specialist	510	IT Applications	↓
12-070	Sr. Engineer	440	GI Studies	↓
12-071	Engineer II	8110	ICT Planning	↓
12-073	Part-Time Law Clerk	180	RE Enforcement	↓
12-076	IT Specialist II	510	IT Apps-Mkt & Settlements	↓
12-077	Sr. IT Specialist - DBA	510	Database Administration	↓
12-080	IT Specialist II	510	IT Apps-Reliability	↓
12-082	Cust Service Spec I	320	Customer Relations	↓
12-087	Sr. Operator	830	Ops Interchange	↓
12-088	Engineer II	440	GI Studies	↓
12-090	Settlement Analyst II	160	Settlements	↓
12-094	Engineer II	420	Transmission Service Studies	↓
12-098	Paralegal I	180	RE Enforcement	↓
12-099	Lead Market Design Analyst	710	Market Design	↓
12-100	Engineer II	850	Modeling & Data Integrity	↓
12-101	Risk Mitigation Coordinator	230	SPP Compliance	↓
12-104	Manager	900	Regulatory	↓
12-105	Regulatory Analyst III	900	Regulatory	↓
12-106	Sr. Engineer	900	Regulatory	↓
12-055	Operator III	8130	ICT Tarriff	↓
12-111	Operations Analyst III	800	Perf Supt	↓
12-116	Executive Director	130	Regional Entity	↓
12-117	Engineer II	460	Economic Planning	↓

Remaining 2011 Positions in Blue: 11-xxx	2012 YTD Budgeted Positions Filled	38
2012 Budgeted Positions Highlighted in Grey: 12-001 thru 12-050	2012 YTD Replacement Positions Filled	31
Replacement Positions Highlighted in Yellow: 12-051 thru 12-xxx	2012 YTD Total Hires	62
	2011 Positions Filled in 2012	22

Status Legend	2012	2011
↓ Inactive	4	0
↓ Active, Not Posted	0	0
↓ Active, Posted	31	2
↑ Filled	69	22

  

Hire Legend	2012	2011
× Internal	34	10
✓ External	33	13

<b>06/30 Ending Active Headcount</b>	535
Resignations during June	-3
July External Hires	14
<b>07/31 Ending Active Headcount</b>	546
2011 Open	2
2012 Open	34
<b>2012 Year End Target</b>	582

Number of Internal Hires	44
Number of External Hires	46

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# SPP Business Process Improvement Status Report

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3Q2012

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A) Scorecard	1
B) Tracking Improvements and Cost Reductions in 2012- 2014 Budget	2
C) Implementation of Formal SPP-wide BPI Program	6

Sept 14, 2012

**A) BPI Implementation Scorecard for 2012**

**Status Report – Executive Summary – Sept 14, 2012**

BPI Initiative	Status	Description
1) Track 2012 BPI Initiatives In 2012-2014 Budget	<b>On Target</b>	Report implementation progress Quarterly to the Finance Committee. Implementation benefits are measured against observable, previously agreed upon benchmark measurements. (See pp. 2-5.)
2) Develop BPI Tracking Conventions and review with Finance Comm.	<b>Completed</b>	Tracking Conventions reviewed with Finance Committee in July. (See Appendix B)
3) Proactively Identify Additional BPI Initiatives to Track	<b>On Target</b>	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/Cost Avoidance Embedded in 2013-2015 Budget report. Four added since 2012 Budget was submitted. (See pp. 2-5.)
4) BPI Methodology Selection & Implementation	<b>Completed</b>	Implementing the Lean Business Thinking approach to continuous process improvement. This methodology matches very well with SPP culture – empowering those doing the work to make improvements.
5) Implement Initial BPI Pilot Programs	<b>On Target</b>	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. (See Appendix A for initial process improvement initiatives.)
<b>BPI Scorecard Objectives beyond 2012</b>		
6) Design SPP Strategic BPI Implementation - Extend Pilot to all Business Units	<b>2013</b>	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	<b>2014-2015</b>	SPP-wide implementation of BPI methodologies across all Departments involving all employees. Implementation of Lean includes methodology training programs and line organizations will have Lean Facilitators on staff. The BPI Department will mentor the embedded facilitators.

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

### **Executive Summary**

<u><i>From 2012-2014 Budget, in \$000</i></u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operations Staffing Cost Reductions	\$ 653	\$ 1,633	\$ 1,706
Operations Non-Staffing Cost Avoidance	\$ 755	\$ 843	\$ 936
Capital Non Staffing Cost Avoidance	<u>\$ 5,040</u>	<u>\$ 4,228</u>	<u>\$ 3,946</u>
Total	<u>\$ 6,448</u>	<u>\$ 6,704</u>	<u>\$ 6,588</u>

<u><i>Actual/Forecast thru Aug 2012, in \$000</i></u>			
Operations Staffing Cost Reductions	\$ 471	\$ 983	\$ 1,223
Operations Non-Staffing Cost Avoidance	\$ 1,085	\$ 1,118	\$ 1,211
Capital Non Staffing Cost Avoidance	<u>\$ 5,838</u>	<u>\$ 5,746</u>	<u>\$ 4,356</u>
Total	<u>\$ 7,394</u>	<u>\$ 7,847</u>	<u>\$ 6,790</u>

<u><i>Actual/Forecast Variance to Budget, in \$000</i></u>			
Total -- Positive/(Negative)	<u>\$ 946</u>	<u>\$ 1,143</u>	<u>\$ 202</u>

### **Explanation of Variances**

- OATI vendor delays in delivering Operations Automation will push implementation from mid-2012 into 1Q2013. Project cost and projected benefits delayed to 2013. In addition, a more detailed staffing analysis shows that 3.0 FTE of the original 8.0 FTE staffing decrease in 2014 will come from lower Ops Desk transaction volumes and should not be reported as Operations Automation improvement benefits (Lower volumes due to new Integrated Marketplace system automation).
- 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.
- Four new cost reductions initiatives were identified since the budget (In-sourcing Leadership training, an Oracle Unlimited License Agreement – ULA, In-house support of Tariff revisions to avoid Legal Fees, and Desktop Virtualization). 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)**

<i>Savings expressed in \$ 000's</i>	<b>Identified in 2012 Budget</b>			<b>Current Actual/Projections (Actuals thru August)</b>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b><u>Operations Staffing Cost Reductions</u></b>						
Settlements Process Improvements	\$ 233	\$ 360	\$ 395	\$ 287	\$ 456	\$ 494
Compliance Process Improv/Alignment	\$ 277	\$ 286	\$ 294	\$ 184	\$ 190	\$ 195
Operations Automation - Tariff Adm/Int	\$ 143	\$ 987	\$ 1,017	\$ -	\$ 337	\$ 534
<b>Total</b>	<b>\$ 653</b>	<b>\$ 1,633</b>	<b>\$ 1,706</b>	<b>\$ 471</b>	<b>\$ 983</b>	<b>\$ 1,223</b>
<b><u>Operations -- Non-Staffing Cost Reductions</u></b>						
In-House Support for Tariff Service Agreement Filings	\$ 517	\$ 605	\$ 698	\$ 577	\$ 605	\$ 698
FERC Section 205 Filing Process Change -- Avoids Outside Legal Fees	\$ 99	\$ 99	\$ 99	\$ 121	\$ 126	\$ 126
SPPNet Monitoring In-house	\$ 139	\$ 139	\$ 139	\$ 139	\$ 139	\$ 139
In-Sourcing Leadership Training <i>New!</i>				\$ 37	\$ 37	\$ 37
In-House Tariff Revisions e-Tariff <i>New!</i>				\$ 211	\$ 211	\$ 211
<b>Total</b>	<b>\$ 755</b>	<b>\$ 843</b>	<b>\$ 936</b>	<b>\$ 1,085</b>	<b>\$ 1,118</b>	<b>\$ 1,211</b>
<b><u>Capital -- Non-Staffing Cost Reductions</u></b>						
Server Virtualization	\$ 3,981	\$ 3,891	\$ 3,609	\$ 4,276	\$ 3,998	\$ 3,716
Oracle Database Licensing (Virtualization)	\$ 873	\$ 113	\$ 113	\$ 873	\$ 113	\$ 113
Unlimited Oracle Database Licensing <i>New!</i>				\$ 20	\$ 1,387	\$ 303
Desktop/Laptop Refresh Cost Reduction	\$ 57	\$ 57	\$ 57	\$ 49	\$ 57	\$ 57
Desktop Virtualization <i>New!</i>				\$ 79	\$ 24	
Purchasing Bidding and Negotiations	\$ 129	\$ 129	\$ 129	\$ 541	\$ 129	\$ 129
Microsoft Software Usage Rationalization	\$ -	\$ 38	\$ 38	\$ -	\$ 38	\$ 38
<b>Total</b>	<b>\$ 5,040</b>	<b>\$ 4,228</b>	<b>\$ 3,946</b>	<b>\$ 5,838</b>	<b>\$ 5,746</b>	<b>\$ 4,356</b>
<b>Grand Total</b>	<b>\$ 6,448</b>	<b>\$ 6,704</b>	<b>\$ 6,588</b>	<b>\$ 7,394</b>	<b>\$ 7,847</b>	<b>\$ 6,790</b>
<b>Variance to Budget Savings Identified</b>				<b>\$ 946</b>	<b>\$ 1,143</b>	<b>\$ 202</b>



2012 Variance explanation on next page

9/14/2012

**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
<b><u>Operations Staffing Cost Reductions</u></b>				
Settlements Process Improvements	\$ 232,989	\$ 287,044	\$ 54,055	Staff reassignment from Foundation to support of the Integrated Marketplace has been accelerated.
Compliance Process Improvements & 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 & Interchange Desks	\$ 142,635	\$ -	(142,635)	Vendor delays (OATI) - Implementation slipped from July 2012 to April 2013. Costs and benefits will be realized starting in 2013.
<b>Total</b>	<b>\$ 652,858</b>	<b>\$ 471,083</b>	<b>(181,775)</b>	
<b><u>Operations Non-Staffing Cost Reductions</u></b>				
In-House Support for Tariff Service Agreement Filings	\$ 517,084	\$ 577,130	\$ 60,046	Most recent actual/forecast is slightly ahead of the work transition planned.
FERC Section 205 Filing Process Change -- Avoids Outside Legal Fees	\$ 99,000	\$ 120,750	21,750	Two additional 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	Monitoring tool investment allows external contractor to be eliminated with no internal cost increase.
In-Sourcing Leadership Trng <i>New!</i>	\$ -	\$ 36,529	36,529	<b>New item</b> - had not been included in Budget estimates. Eliminate outside consulting.
In-House Tariff Revisions e-Tariff <i>New!</i>	\$ -	\$ 211,421	211,421	<b>New item</b> - In-house support of on-line Tariff revision saves \$155 per hour vs. outside Legal costs.
<b>Total</b>	<b>\$ 755,484</b>	<b>\$1,085,230</b>	<b>\$ 329,746</b>	

Process Improvement/Cost Reduction Program	From SPP Budget Projections for 2012	Current Forecast for 2012	Variance	Variance Explanation
<b><u>Capital Non-Staffing Cost Reductions</u></b>				
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 <b>New!</b>	\$ -	\$ 19,812	19,812	<b>New Item</b> -- 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.
Desktop Virtualization <b>New!</b>	\$ -	\$ 78,696	78,696	<b>New item</b> -- Extending virtual concept to desktops - allows lower hardware and S/W licensing cost - longer replacement cycle and lower maintenance costs.
Purchasing Bidding and Negotiations	\$ 128,646	\$ 540,906	412,260	The current improvements forecast based upon actuals through August and a forecast through the end of the year.
<b>Total</b>	<b>\$ 5,039,594</b>	<b>\$5,837,318</b>	<b>\$ 797,724</b>	
<b>Grand Total</b>	<b>\$ 6,447,936</b>	<b>\$7,393,631</b>	<b>\$ 945,695</b>	



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

### **Future State 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 (Lean Business Thinking). Given the SPP organization's priorities through 2014, SPP will embrace an evolutionary approach to implementing this enhanced capability. By 2014-15, each major SPP Business Unit and Department will have resources on staff that have experience participating and leading process improvement projects. This is expected to be accomplished by reallocating resources over time as opposed to adding incremental headcount. The embedded Lean Facilitators will be mentored by the BPI Department.**

### **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. BPI will work with line organizations to develop Lean Facilitators in their organization. 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 (See Appendix A).**

**Appendix A: Business Process Improvement Pilot Programs in process:**

<b>Business Issue</b>	<b>Sponsor</b>	<b>Timing</b>	<b>Status</b>	<b>Target Benefits</b>
<b>Customer Engagement Processes – fragmented and inefficient</b>	<b>Russell Quattlebaum</b>	<b>In process</b>	<b>1) Defined and documented desired-state process 2) Currently mapping new process to automated Request Management System tool</b>	<b>1) Faster response times 2) Increased productivity (less churn, confusion) 3) Better resource utilization</b>
<b>ITP Process – massive quantities of data increasing complexity of studies</b>	<b>Katherine Prewitt</b>	<b>August 28-29</b>	<b>1) Scoping session held 2) Current quality assurance efforts assessed for potential interlock 3) Workshop planned for August</b>	<b>1) Increased study quality 2) Improved internal and external communication 3) Increased productivity</b>
<b>ICCP Request Fulfillment New member on-boarding less efficient &amp; slower than desired</b>	<b>Reed Thornton</b>	<b>August 22-23</b>	<b>1) Scoping session held June 22 2) Workshop planned for third week of August</b>	<b>1) Improved customer on-boarding experience 2) Reduced cycle time for on-boarding 3) Improved resource utilization</b>
<b>Engineering Working Group Process – meetings not as productive as desired</b>	<b>Katherine Prewitt</b>	<b>July 25-26</b>	<b>1) Scoping session held May 31 2) Workshop held on July 25-26</b>	<b>1) Increased meeting productivity (faster time to consensus) 2) Improved stakeholder satisfaction</b>
<b>IT Systems Access Processes</b>	<b>Jennifer Morrison</b>	<b>Sept 5-6</b>	<b>1) Scoping session held 2) Workshop held on Sept 5-6</b>	<b>1) Increased productivity through automation and process improvement 2) Reduced cycle time 3) Improved employee satisfaction</b>

## Appendix B – Proposed BPI Tracking Guidelines

### Business Process Improvement/Cost Reduction Initiatives

#### Benefits Tracking Guidelines

June, 2012

#### Measuring Improvements

1. **Current Process** – The Current State reflects business as usual. Metrics appropriate to each process should be developed to reflect the baseline in terms of staffing, productivity and/or costs.
2. **Improved Process** – The improved process will create a Future State of operation. The Future State staffing, productivity and/or cost should be modeled and the benefits to be realized should be estimated.
3. **Costs and Benefits** – Some initiatives will require investments in new systems, equipment and/or training in order to obtain the improvements identified. An investment analysis should be developed to identify the Cash Flow of the Investment and the resulting benefits over time. We will track the net benefits of initiatives requiring capital investment.
4. **Benefits Tracking** – The SPP Business Owner, in conjunction with the BPI Department, will develop an objective tracking of benefits actually realized vs. the Current state benchmark. Improvement results will be reported quarterly to the Finance Committee.

#### Benefits Measurement Scope

- **When does a “Process Improvement” become the new standard practice?**
- **How long should we track each process improvement initiative?**

Level	Description	Tracking Period
1	Projects – Process improvement projects requiring investment in automation that will require some time to achieve a return on investment.	Tracking period matched to ROI period. Can be from 3 to 5 years. *
2	Formal process improvement projects that result in a documented elimination of a headcount requirement based upon work elimination and/or productivity improvement. **	Up to 3 years – includes development and implementation time during the year identified plus two full years
3	Policy changes, process simplification, cost reduction ideas, simple automation initiatives – that are relatively straight forward to implement having relatively low investment requirements.	Track during year identified plus the following full year.

\* Large capital investment projects could be tracked for up to 5 years (e.g. Integrated Marketplace), whereas automation projects similar to the Operations Automation (\$400,000 capital investment) may be tracked for 3 years. Tracking period will be identified upon project initiation and endorsed by the SPP CFO.

\*\* SPP will need to develop a policy statement that provides job reassignment and/or retraining to any employees whose job is eliminated due to BPI productivity initiatives.