



**Southwest Power Pool
FINANCE COMMITTEE MEETING**

December 9, 2013

SPP Offices

Little Rock, Arkansas

• Summary of Action Items •

1. Approved 2014 financing terms

• Schedule of Follow-up Items •

1. Establish a scorecard for presentation to MOPC, SPC, and BOD indicating costs associated with member required projects/services.
2. Presentation at a future meeting which will cover the exposure calculations and credit underwriting practices of the Credit Policy.
3. Presentation from IT on hardware and software acquisition and management strategy at the April 2014 meeting.



Southwest Power Pool
FINANCE COMMITTEE MEETING
December 9, 2013
Little Rock, Arkansas

• M I N U T E S •

Administrative Items

SPP Chair Harry Skilton called the meeting to order at 1:30 p.m. The following members of the Finance Committee were in attendance:

Harry Skilton	SPP Director
Larry Altenbaumer (phone)	SPP Director
Kelly Harrison (phone)	Westar Energy
Sandra Bennett (phone)	AEP
Coleen Wells (phone)	Kansas Electric Power Coop
Mike Wise	Golden Spread Electric Coop
Tom Dunn	SPP
Others attending included:	
Laura Kapustka (phone)	Lincoln Electric
Josh Martin	SPP Director
Julian Brix	SPP Director
Phyllis Bernard	SPP Director
Nick Brown	SPP
Lauren Krigbaum	SPP
Carl Monroe	SPP
Barrett Breeding	BKD, LLC
Stan Payne	Stephens Insurance, LLC
Bill Bussey	Stephens Insurance, LLC
Jim Goss	Stephens Insurance, LLC
Kevin McBride (phone)	Stephens Insurance, LLC
Larry Middleton	Stephens, Inc.
Doug Salvati	SEI, Inc.
Brian Bono (phone)	SEI, Inc.
Al Pierce (phone)	SEI, Inc.
Tony Meyer (phone)	SEI, Inc.
Andy Hicks	PWC
Sean Barry (phone)	PWC

Minutes from October 15, 2013 meeting were reviewed. Kelly Harrison motioned to approve the minutes. The motion was seconded by Coleen Wells and approved by unanimous voice vote.

SPP staff reviewed the schedule of action items from the October 15, 2013 meeting.

2013 Financial Audit

Barrett Breeding of BKD, LLC presented the 2013 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.

2014 Financing Terms

SPP staff outlined a strategy for SPP's 2014 \$70 million note issuance which would allow SPP to manage the amount of principal retirement included in the administrative fee through the life of the notes and also

minimize the amount of idle cash on SPP's balance sheet while the capital expenditures are being acquired.

The issuance would be broken down into two tranches, the first tranche being a \$37 million fixed rate senior unsecured note issued under SPP's 2010 Note Purchase Agreement. Interest would be payable quarterly with principal being retired starting in 2024. The second tranche would be a \$33 million floating rate, multiple advance senior unsecured term note issued by a commercial bank. The terms and covenants of this note would mirror those in the 2010 Note Purchase Agreement. SPP would have two years from the date of issuance to fully advance the note proceeds. Interest would be payable monthly with principal payments starting in 2016 and escalating through full retirement of the note in 2023. SPP expects to enter into an interest rate swap agreement at the time of issuance which will fix the effective rate on this borrowing.

Kelly Harrison motioned to approve the recommended loan structure and authorize the chair of the SPP Finance Committee to work with SPP management and approve the final pricing of the transaction. The motion was seconded by Larry Altenbaumer and approved by unanimous voice vote.

Corporate Insurance Stewardship Report

Stephens Insurance, LLC provided an overview of the property & casualty, professional liability and Director & Officer insurance markets. In general, the marketplace is firming which results in underwriters being able to implement premium increases across the board. Stephens indicated SPP could expect a 5% premium increase in its general and excess liability policies and a 10% increase in its D&O premiums. Stephens expects SPP's existing underwriters to all be interested in continuing to offer coverage and all of SPP's underwriters are ranked "Secure" by A.M. Best.

Investment Management of SPP Pension Plan

The Committee met individually with two finalists to manage the assets in the SPP pension fund with full discretion. Following presentations from the finalists, the Committee directed SPP staff to develop a comparison table to summarize for the Committee the approaches utilized by the two firms. The Committee will hold a conference call on December 20 to select between the two finalists.

SSAE 16 Audit Report

Lauren Krigbaum, Director of Internal Audit at SPP and Andy Hicks and Sean Barry from PWC presented the results of SPP's SSAE 16 Controls Audit completed as of October 31, 2013 covering the period November 1, 2012 through October 31, 2013. The audit will be issued with an unqualified opinion and absent any significant exceptions.

Future Meetings

The next meeting of the SPP Finance Committee is scheduled for December 20, 2013 beginning at 1:30 pm central time and finishing at 3:00 pm central. This meeting will be conducted via teleconference.

There being no further business, Harry Skilton adjourned the meeting at 6:30 p.m.

Respectfully Submitted,

Thomas P. Dunn
Secretary



Southwest Power Pool, Inc.
FINANCE COMMITTEE MEETING
December 9, 2013
SPP Offices, Little Rock, AR

• A G E N D A •

1:30 p.m. – 6:00 p.m.

1. Administrative Items (*10 minutes*)..... Harry Skilton
 - a. Minutes
 - b. Follow-up Items
2. 2013 Financial Audit (*30 minutes*)..... BKD, Inc.
3. 2014 Financing Terms (*30 minutes*) ****ACTION**** Tom Dunn
4. Corporate Insurance Stewardship Report (*30 minutes*)..... Stephens Insurance
5. Investment Management of SPP Pension Plan ****ACTION**** Tom Dunn
 - a. Stephens, Inc. (*45 minutes*)
 - b. SEI, Inc. (*45 minutes*)
6. SSAE 16 Audit Report (*60 minutes*)..... PWC/Lauren Krigbaum
7. Written Reports
 - a. CPWG
 - b. Actuary Assumptions
 - c. October Financials
 - d. Process Improvement Tracking
 - e. Lean Metrics
8. Adjourn Harry Skilton



**Southwest Power Pool
FINANCE COMMITTEE MEETING**

October 15, 2013

SPP Offices

Little Rock, Arkansas

• Summary of Action Items •

1. Approved 2014 administrative and assessment fee rate.
2. Approved 2014 long-term financing plan.
3. Approved SPP internal signature authority schedule.

• Schedule of Follow-up Items •

1. Establish a scorecard for presentation to MOPC, SPC, and BOD indicating costs associated with member required projects/services.
2. Review assumptions for pension and post-retirement healthcare actuarial calculations (discount rate, investment return, compensation growth rate) at either September or December meetings.
3. Presentation at a future meeting which will cover the exposure calculations and credit underwriting practices of the Credit Policy.
4. Distribute rate unbundling presentations discussed by the Strategic Planning Committee at their 2012 planning retreat. Plan to refresh the unbundling dialogue at the April 2014 Finance Committee meeting.

**Southwest Power Pool
FINANCE COMMITTEE MEETING**

October 15, 2013

Little Rock, Arkansas

• M I N U T E S •

Administrative Items

SPP Chair Harry Skilton called the meeting to order at 8:45 a.m. The following members of the Finance Committee were in attendance:

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

Others attending included:

Traci Bender	NPPD
Carol Shoemake (phone)	OG&E
Bruce Cude	SPS
Laura Kapustka	Lincoln Electric
Michael Desselle	SPP
Jim Eckelberger	SPP Director
Lauren Krigbaum	SPP

Minutes from September 13, 2013 and September 24, 2013 meetings were reviewed. Kelly Harrison motioned to approve the minutes. The motion was seconded by Larry Altenbaumer and approved by unanimous voice vote.

SPP staff advised the Committee that the SPP Human Resources Committee had met and approved changes to SPP's pension plan document which included the ability of the Board to establish an "Administrative Committee" to perform administrative fiduciary functions on behalf of the plan and to clearly identify the SPP Finance Committee being charged with performing investment management fiduciary functions on behalf of the plan.

SSAE 16 Interim Audit Report

Lauren Krigbaum, Director of Internal Audit at SPP, reported the findings from phase I of the 2013 SSAE 16 audit of SPP's control environment. The auditors identified three instances which may result in a qualification or exception in the final report. SPP is continuing to work with the external auditors to determine the severity and ultimate resolution of the items identified.

SPP staff will report to the Committee at its December 2013 meeting on the final findings of the audit, and management's response and actions to address noted exceptions and/or qualifications in the final audit report.

2014 Financing

SPP staff outlined the capital expenditure program detailed in the 2014 budget which encompasses expected capital expenditure spending for the 2014-16 period. Total capital expenditures for the period are forecast to be \$61.9 million before inclusion of capitalized financing costs. The majority of the expenditures are anticipated to occur in 2014 (\$37.1 million) and 2015 (\$19.2 million). The Committee

reviewed the value of SPP's non-real estate fixed assets comparing those values to the outstanding principal balance of the existing term debt to determine if asset and liability matching was reasonably consist now and following issuance of new term debt. Finally, the Committee also reviewed several options for structuring the new debt issuance and the impact that structure would have on SPP's administrative fee into the future. A key aspect of the review was to borrow more than needed to fund the 3-year capital expenditure program and use the excess proceeds to essentially retire current maturities and maintain a lower administrative fee.

Kelly Harrison made a motion to fund \$70 million in new term debt with a 12-year amortization. The first two years of the term would be interest only, then converting to an amortization resulting in full payout at maturity. The SPP Board of Directors would authorize the SPP Finance Committee to approve final terms and conditions. The motion was seconded by Sandra Bennett and approved by unanimous voice vote.

2014 Administrative and Assessment Fee

SPP staff presented a recommendation to establish an administrative fee of \$0.409/MWh effective January 1, 2014 consistent with a net revenue requirement for 2014 of \$142.3 million detailed in the budget approved by the Committee at its September 24 meeting and expected 2014 billing determinants of 348 TWh.

Based on the earlier discussion on term debt issuance and use of proceeds to retire a portion of SPP's current maturities in 2014, the net revenue requirement for 2014 was adjusted downward to \$132.3 million which, when divided by the expected billing determinants of 348 TWh results in an administrative fee of \$0.383/MWh.

Sandra Bennett made a motion to use \$10 million in proceeds from the term debt financing to retire current maturities in 2014 and set the administrative and assessment fee at \$0.383/MWh. The motion was seconded by Mike Wise and approved by unanimous voice vote.

SPP Internal Signature Authorities

The Committee reviewed SPP's schedule of internal signature authorities and requested the following changes be made:

- 1) Dual signing for budgeted expenditures in excess of \$500,000 is only authorized when the SPP President is out of the office on extended vacation or illness.
 - a. When the dual signature authority is used, the SPP CFO and VP over the department incurring the expenditure must sign, except.
 - b. When the expenditure occurs in the Engineering, IT, or Operations departments the dual signature authority requires both the SPP CFO and SPP COO as well as the VP over the department incurring the expenditure.
- 2) Unbudgeted expenditures in excess of \$1,000,000 require the approval of the SPP Finance Committee prior to committing to the expenditure.

Sandra Bennett mad a motion to approve the schedule of internal signature authorities, as amended. The motion was seconded by Kelly Harrison and approved by unanimous voice vote.

Pension Plan Investment Management

The Committee discussed the proposals received for investment management of SPP's pension plan assets. Following a high level discussion of each of the candidates the Committee requested two candidates return and meet with the Committee at its December 2013 meeting.

Future Meetings

The next meeting of the SPP Finance Committee is scheduled for December 9, 2013 beginning at 2:00 pm central time and finishing at 6:00 pm central. This meeting will be held in Little Rock, AR.

Finance Committee
October 15, 2013

The meeting originally schedule for April 3, 2014 was moved to April 1, 2014 starting at 8:00am and finishing at 3:00pm. This meeting will be held in Dallas, TX.

There being no further business, Harry Skilton adjourned the meeting at 12:30 p.m.

Respectfully Submitted,

Thomas P. Dunn
Secretary



S. Barrett Breeding, CPA

Director

Barrett has 12 years of experience providing accounting and audit services to clients in a variety of industries, including utilities, manufacturing, wholesale distribution and construction. His utility experience includes seven years of auditing electric transmission and distribution cooperatives.

He also has experience using data extraction and audit tools, including ACL and other software programs. He serves as a firm wide ACL instructor for BKD. He has taught BKD's new user training for three years and has spoken on the subject at the firm's national training multiple times.

Barrett also is a member of the American Institute of Certified Public Accountants, Arkansas Society of Certified Public Accountants and National Society of Accountants for Cooperatives.

He is a 2001 graduate of Harding University, Searcy, Arkansas, with a B.B.A. degree in accounting.



Southwest Power Pool, Inc.

FINANCE COMMITTEE

Recommendation to the Finance Committee

December 9, 2013

2014 Financing

Organizational Roster

The following persons are members of the Finance Committee:

Harry Skilton	Director
Larry Altenbaumer	Director
Coleen Wells	Kansas Electric Power Coop
Mike Wise	Golden Spread Electric Coop
Sandra Bennett	American Electric Power
Kelly Harrison	Westar Energy

Background

SPP's term debt structure as of the end of September 2013 was as follows:

Due Date	Rate	Balances (\$MM)		Funding Year	Lender	Primary Purpose
		Original	Current			
2014 Sr. Notes	5.61%	\$30	\$7	2007	Bank	Capital projects from 2006-2008
2016 Sr. Notes	5.45%	\$30	\$17	2009	Bank	Capital projects from 2008-2011
2024 Sr. Notes (C)	3.55%	\$70	\$70	2011	Insurance	Integrated Marketplace
2024 Sr. Notes (D1)	3.00%	\$50	\$50	2012	Insurance	Integrated Marketplace
2024 Sr. Notes (D2)	3.25%	\$50	\$50	2012	Insurance	Capital projects from 2012 - 2014
2027 Sr. Notes	6.36%	\$5	\$4	2007	Bank	Maumelle Ops Center
2042 Sr. Notes (A & B)	4.82%	\$65	\$64	2010	Insurance	Corporate Campus
Totals		\$300	\$262			

All notes are unsecured except for the 2027 Sr. Notes, which are secured by a mortgage on SPP's Maumelle, AR operations facility. SPP also has a \$30 million unsecured revolving line of credit maturing in June 2016. The revolving line currently has \$0 advanced. Pricing of draws against the line of credit are variable based on SPP's credit rating by Fitch Ratings. Currently any draws under the revolving facility would be priced at LIBOR + 1.25%.

SPP's 2014-16 capital expenditure program identifies expenditures of \$61.9 million which require funding. In an effort to minimize the expected increase in 2014 schedule 1A administrative fee expense, SPP's Finance Committee recommended funding an additional \$10 million in term debt to offset increased term debt maturities in 2014. The SPP Board of Directors, at its October 29, 2013 meeting, approved the recommendation of the SPP Finance Committee to issue up to \$70 million in debt securities to fund SPP's capital expenditure program through 2016. Said approval was subject to the following conditions:

1. Authorize issuance of up to \$70 million in secured and unsecured notes with maturities of up to 12 years;
2. Authorize appropriate regulatory filings for the issuance of up to \$70 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 \$70 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 \$70 million in secured and unsecured notes with maturities of up to 12 years, upon final authorization of the SPP Finance Committee.

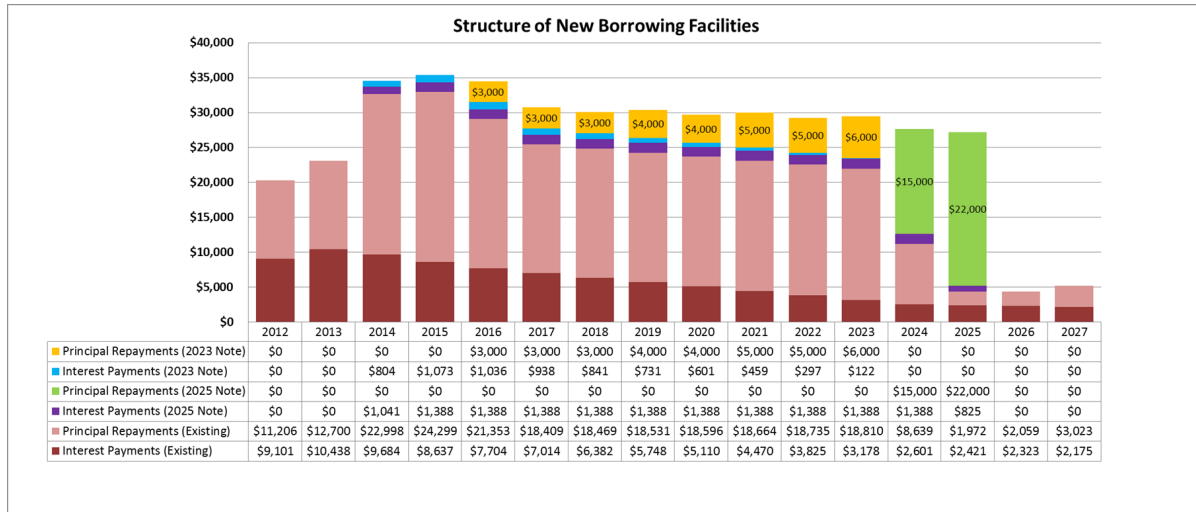
Analysis

SPP staff proposes a two note structure for the financing which will achieve several goals with minor adverse impacts, as follows:

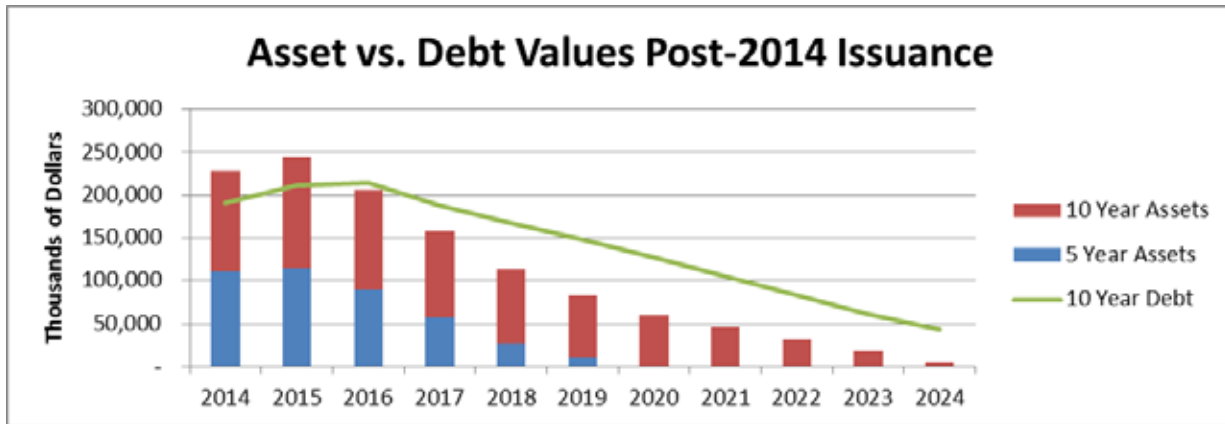
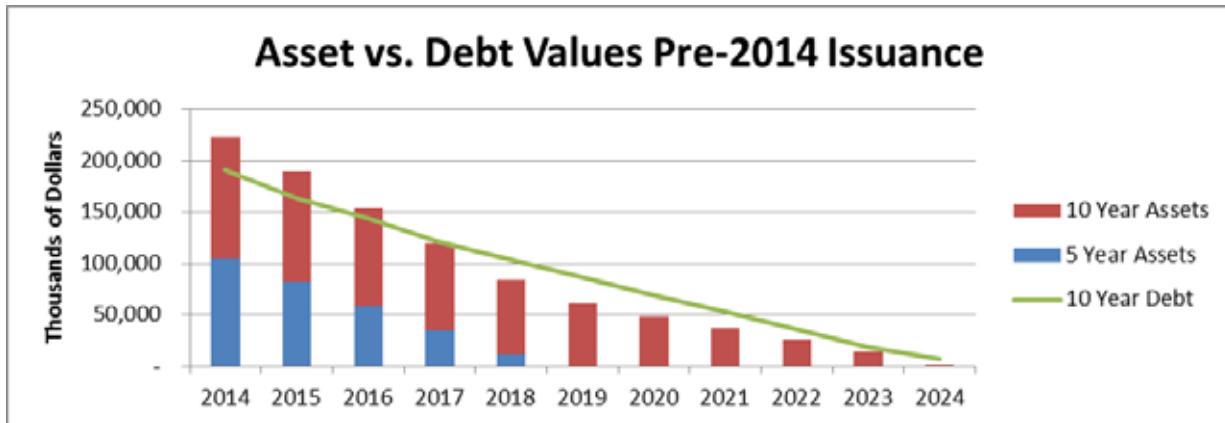
	Note 1	Note 2
Amount	\$33 million	\$37 million
Lender	Commercial Bank	Private Placement
Advance Timeline	2 Year Draw	Fund At Closing
Principal Repayment Structure	2016-18: \$0.75 million/quarter 2019-20: \$1 million/quarter 2021-22: \$1.25 million/quarter 2023: \$1.50 million/quarter	2024: \$3.75 million/quarter 2025: \$5.50 million/quarter
Expected Rate	LIBOR + 125bps SWAP Effective Rate of 3.95%	10 year Treasury + 140bps

The primary advantage of the two note structure is to reduce interest expense during 2014 and 2015. Using a bank facility with a multi-advance draw feature allows SPP to fund projects and capital expenditure costs as they are incurred. Traditional private placements typically allow deferred funding up to six months from the date the transaction is priced; resulting in all \$70 million being funded and accruing interest prior to September 2014. A trade-off to the bank financing is the bank notes tend to be priced at a floating rate of interest. SPP will incur an additional step in executing an interest rate swap to fix the rate from the end of the draw period through maturity of the loan.

The repayment structure provides SPP with flexibility in funding its maintenance capital expenditures beginning in 2017. Required payments of principal and interest on SPP’s notes are approximately \$35 million/year for the years 2014 – 2016. Thereafter, required principal and interest payments fall to approximately \$30 million per year. SPP’s current financial policy states it will fund capital expenditures through the issuance of term debt. However, if “maintenance” capex is estimated at \$5 million/year, SPP could begin to fund this recurring expenditure through its administrative fee beginning in 2017 without having to increase its net revenue requirement (all other things being equal). Additionally, this would allow SPP to reduce its outstanding debt levels which result in reduced SPP member withdrawal obligations. Finally, SPP would be able to reduce the amount of perpetual interest expense further reducing its net revenue requirement. The structure doesn’t obligate SPP to fund capex through the administrative fee; it only provides SPP the flexibility to re-evaluate the policy in the future.



Back-loading the retirement of principal provides significant benefits toward leveling the impact to the SPP administrative fee. Back-loading has an undesired impact when measured against SPP's policy to match debt retirement with the useful life of the asset funded. The graphs below clearly illustrate this impact.



A note structure that is evenly amortized over the note maturity similar to SPP's prior issuances results in a lower total cost of borrowing compared to the recommended structure (total interest payments of \$18.3 million versus \$23.3 million), significantly lower cash outflows as the note nears full retirement, and provides better matching of the outstanding debt to the value of the



assets. The downside is significantly higher cash outflows in the early years of the note which would serve to increase the amounts SPP would need to recover from its customers. Payments on debt (principal and interest) would peak at nearly \$39 million in 2016 and slowly decline to \$30 million in 2022.

Recommendation

Approve structure of \$70 million term debt issuance to include:

Note 1: \$33 million senior unsecured term note with a 2 year multi-draw feature at a floating rate of interest. Authorize SPP Finance Committee chair to approve final floating rate structure currently expected to be 125bps over 30-day LIBOR. Authorize SPP staff to negotiate a forward fixed rate swap agreement which will result in an effective fixed rate of interest for the issuance starting January 2, 2016 through maturity. Authorize SPP Finance Committee chair to approve final swap rate. Principal payments will be as follows:

2016-18:	\$0.75 million/quarter
2019-20	\$1.00 million/quarter
2021-22	\$1.25 million/quarter
2023	\$1.50 million/quarter

Note 2: \$37 million senior unsecured term note issued as an additional series under SPP's 2010 Note Purchase Agreement. Authorize SPP Finance Committee chair to approve final fixed rate currently expected to be 140bps over the 10-year U.S. Treasury yield. Principal payments will be as follows:

2024	\$3.75 million/quarter
2025	\$5.50 million/quarter

Approved: Finance Committee

Action Requested: Approve Recommendation

RISK MANAGEMENT GROUP

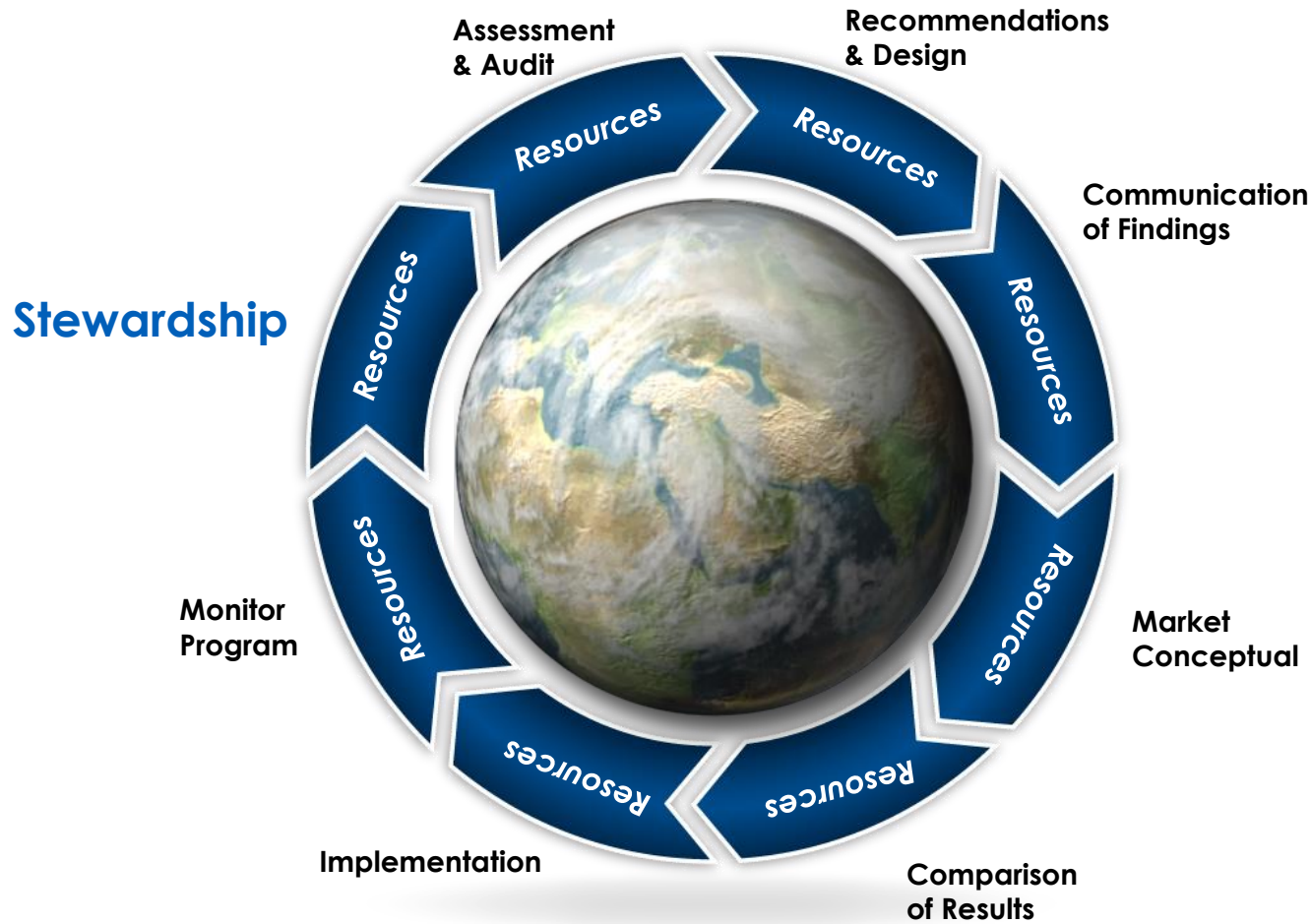
December 9, 2013



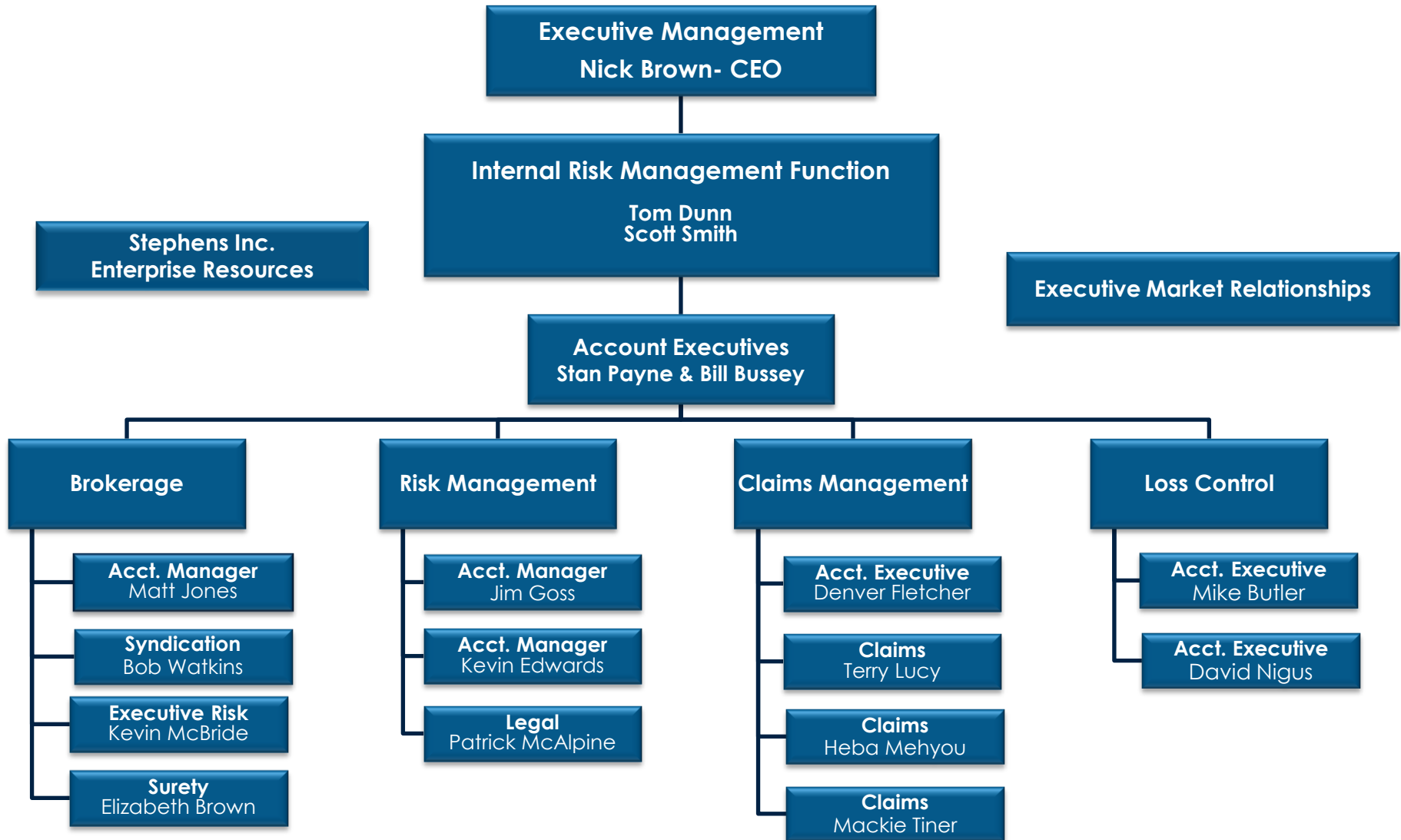
Stephens
Stephens Insurance, LLC



OUR PROCESS



CLIENT TEAM



Stephens
Stephens Insurance, LLC

MARKET UPDATE



US PROPERTY/CASUALTY INSURERS' 2013 UPDATE

2013 SIX MONTH AM BEST STATISTICAL HIGHLIGHTS

- Added additional \$26.9B to policy holders surplus or \$61.4B. Up 4.5% over mid year 2012 \$587.1B.
- Combined loss ratio for the industry at 6 months – 97.9 Better than 5% improvement over the same period a year ago. Average combined ratio for the last 54 years - 104%. 2012 year end combined loss ratio 103%.
- Catastrophe losses declined in the first half year. No significant losses since midyear figures.
- Net Premium written was up 4.5% in the second quarter which matched the growth of the first quarter. The top 25 carriers growth trailed the industry at just 3.9%.
- Insurers overall results were better than the first half of 2012 because of the posting underwriting gains for the first half year since 2007.

AEGIS STATISTICAL HIGHLIGHTS

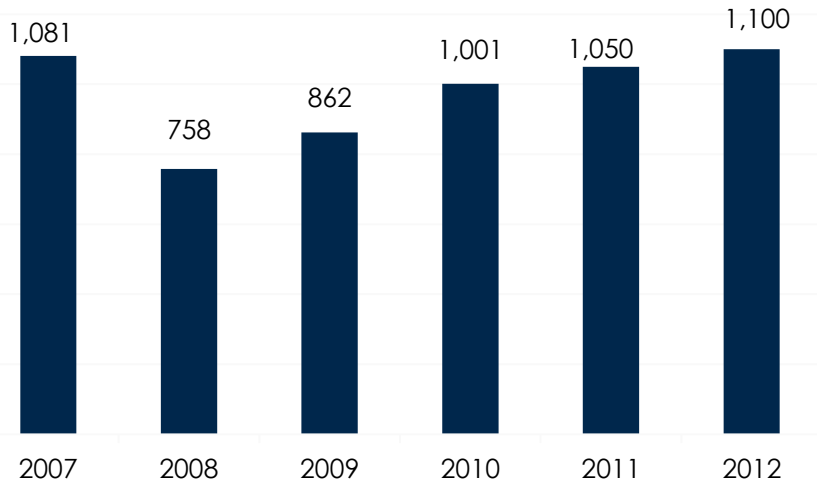
- 2012 Policy Holders Surplus reached record \$1.1B an increase of \$50M.
- Completed recovery of the surplus lost in the financial crisis of 2008.
- 2012 Gross written premium reached \$1.245B, a new high.
- Loss Ratio 108% year end 2012 including further \$123M development of pollution claims pre 1986. Otherwise the ratio would have been 93%. Excess Liability Loss ratio 169% or 116% without pollution claims development.
- AM Best Rating affirmed in June 2013 A-XII.
- First quarter results included approximately 20M increase in surplus.
- Losses for the first quarter better by \$5M than expected.
- Total return earned 1.4% ahead of planned.



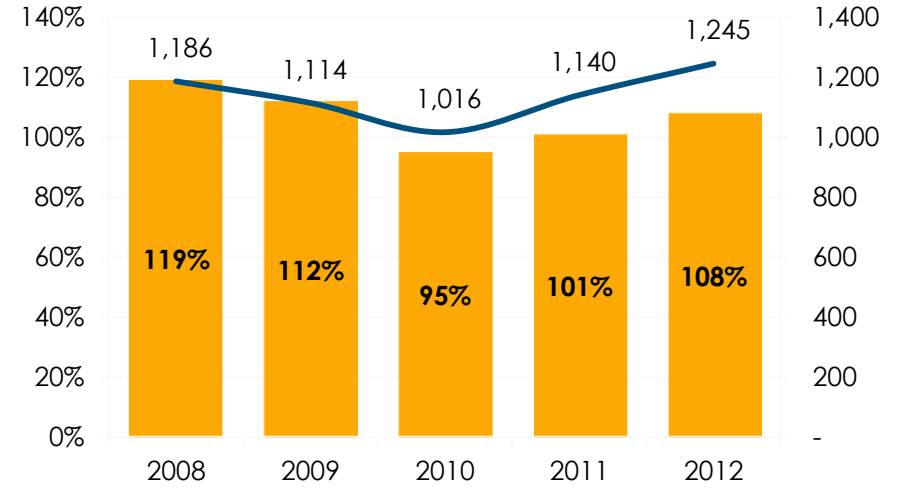
“There is no broad trend of market hardening “

AEGIS 2012 FINANCIALS

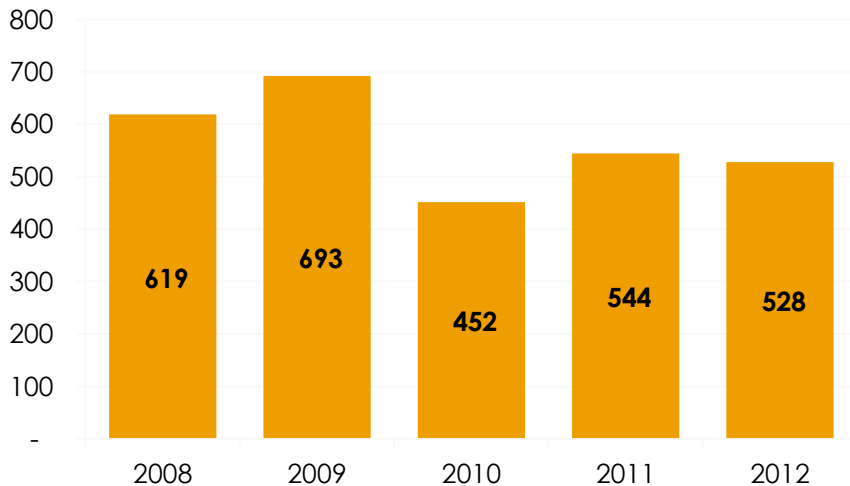
Total Surplus
 December 31 (millions of U.S. Dollars)



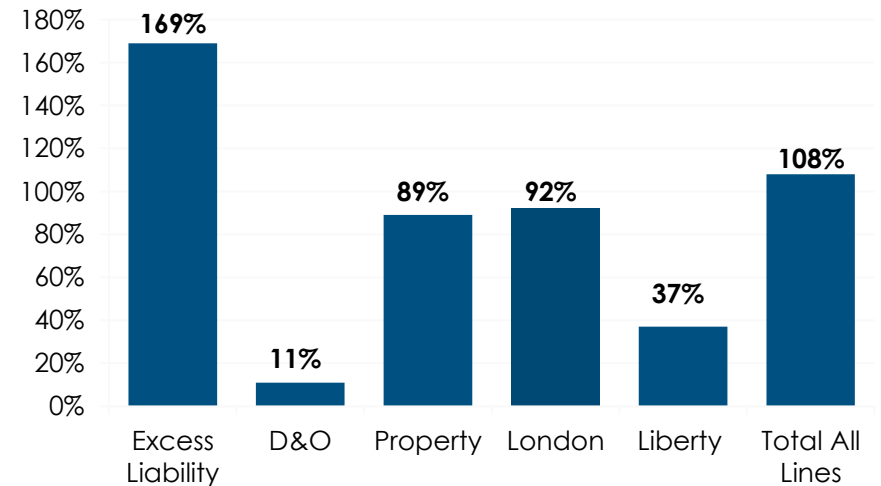
Gross Premiums Written and Combined Ratio
 For the years ended December 31 (millions of U.S. dollars)



Claims Paid AEGIS US Property & Casualty Operations
 For the years ended December 31 (millions of U.S. dollars)



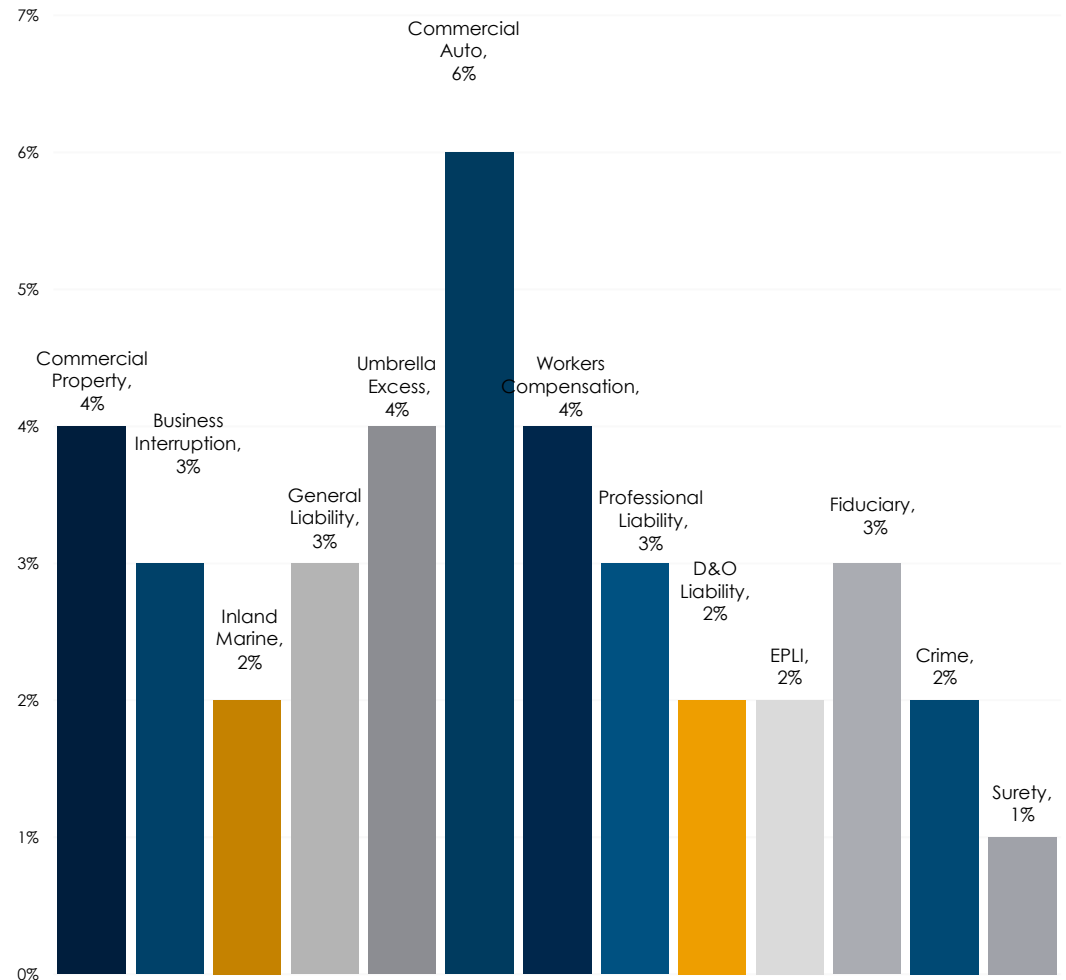
Combined Ratio By Coverage
 For the year ended December 31, 2012



Premium Trends by Coverage Class

- Commercial Property Up 4%
- Business Interruption Up 3%
- Inland Marine Up 2%
- General Liability Up 3%
- Umbrella /Excess Up 4%
- Commercial Automobile Up 6%
- Workers Compensation Up 4%
- Professional Liability Up 3%
- D&O Liability Up 2%
- EPLI Up 2%
- Fiduciary Up 3%
- Crime Up 2%
- Surety Up 1%

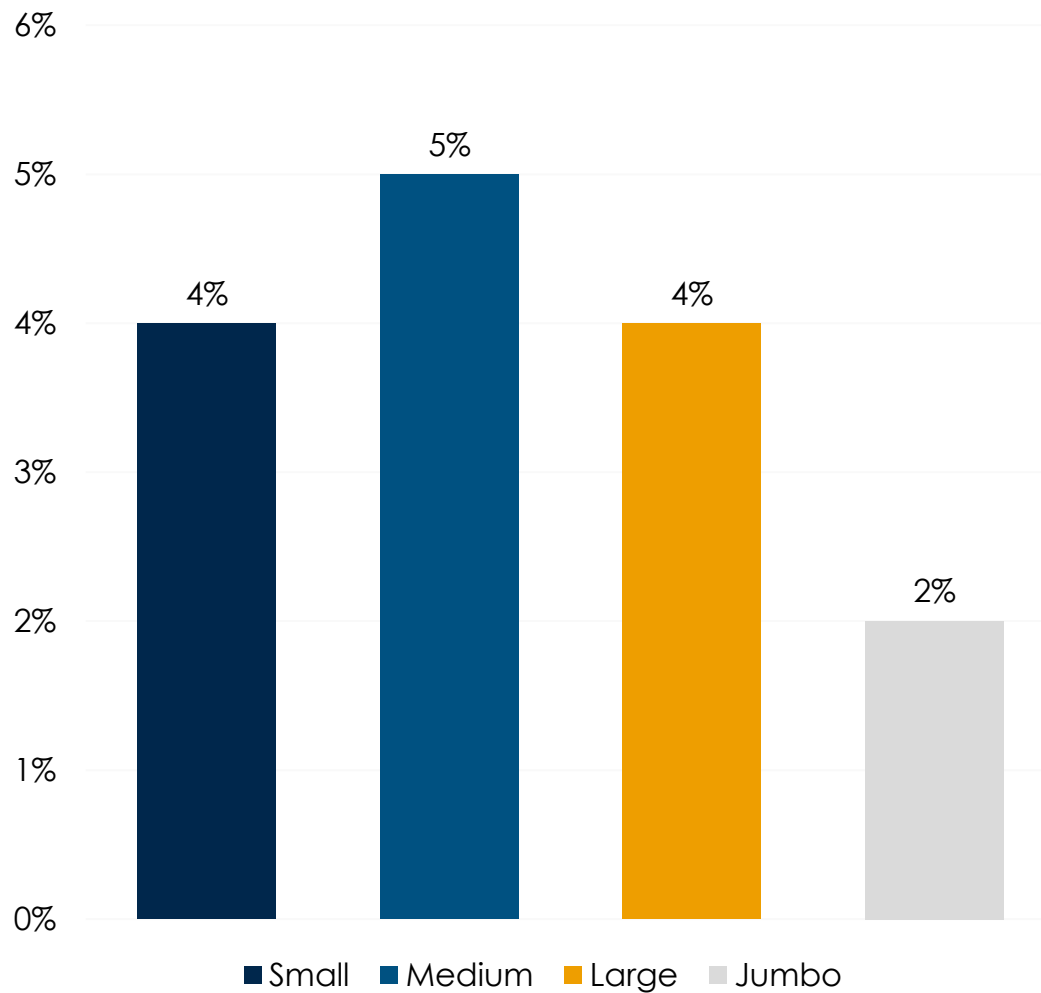
Premium Trends By Coverage Class October 2013



Premium Trends by Account Size

- Small Accounts up to \$25,000 Up 4%
- Medium Accounts up to \$250,000 Up 5%
- Large Accounts up to \$1,000,000 Up 4%
- Jumbo Accounts over \$1,000,000 Up 2%

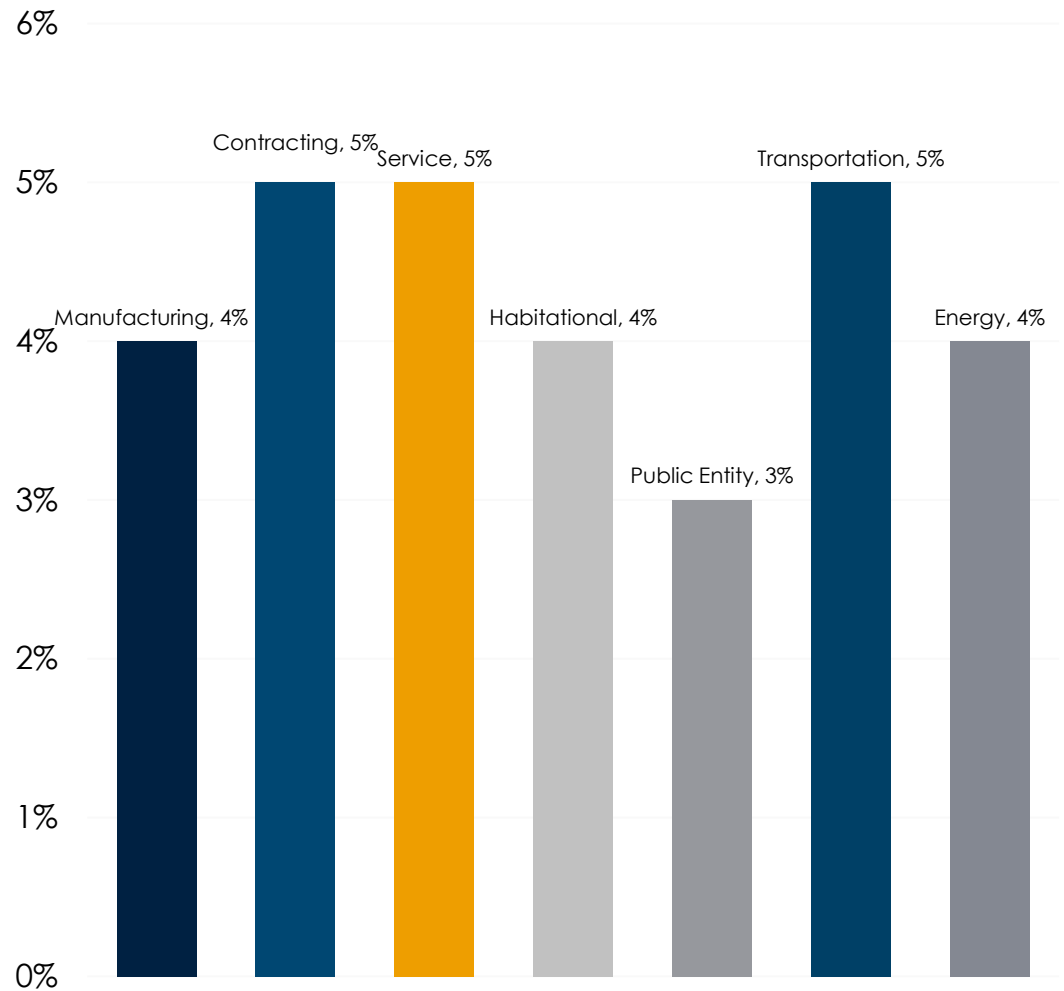
**Premium Trends By Account Size
October 2013**



Premium Trends by Industry Class

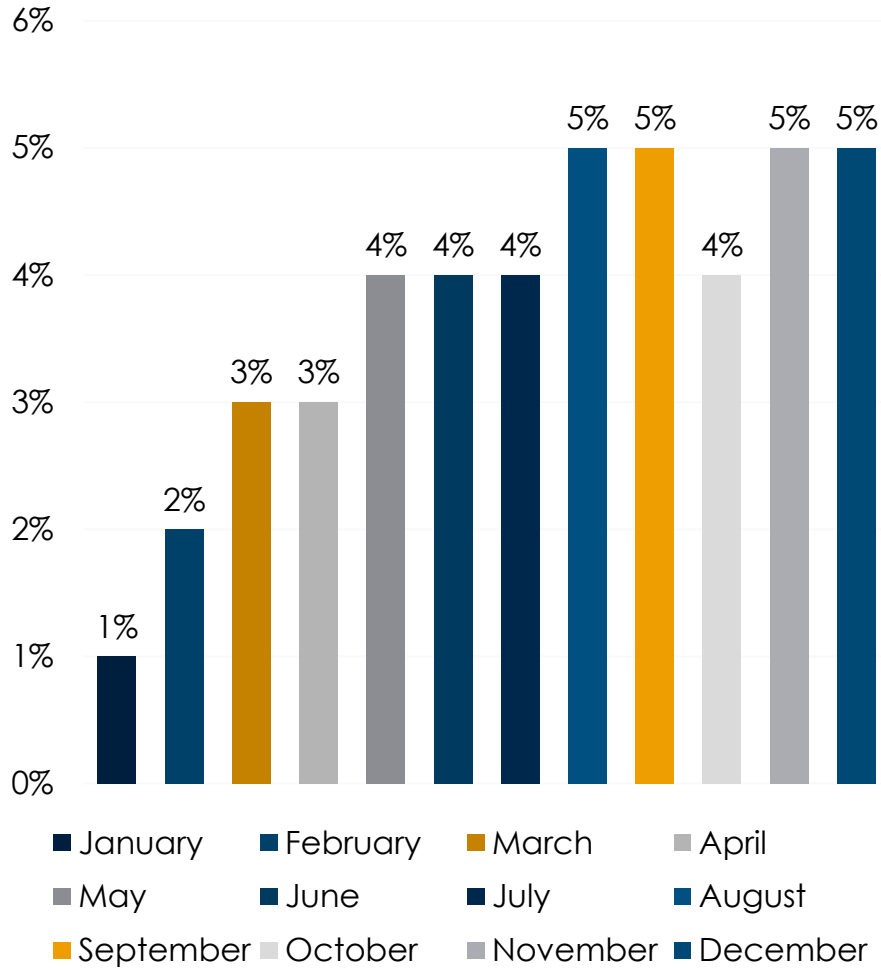
- Manufacturing Up 4%
- Contracting Up 5%
- Service Up 5%
- Habitational Up 4%
- Public Entity Up 3%
- Transportation Up 5%
- Energy Up 4%

Premium Trends By Industry Class October 2013

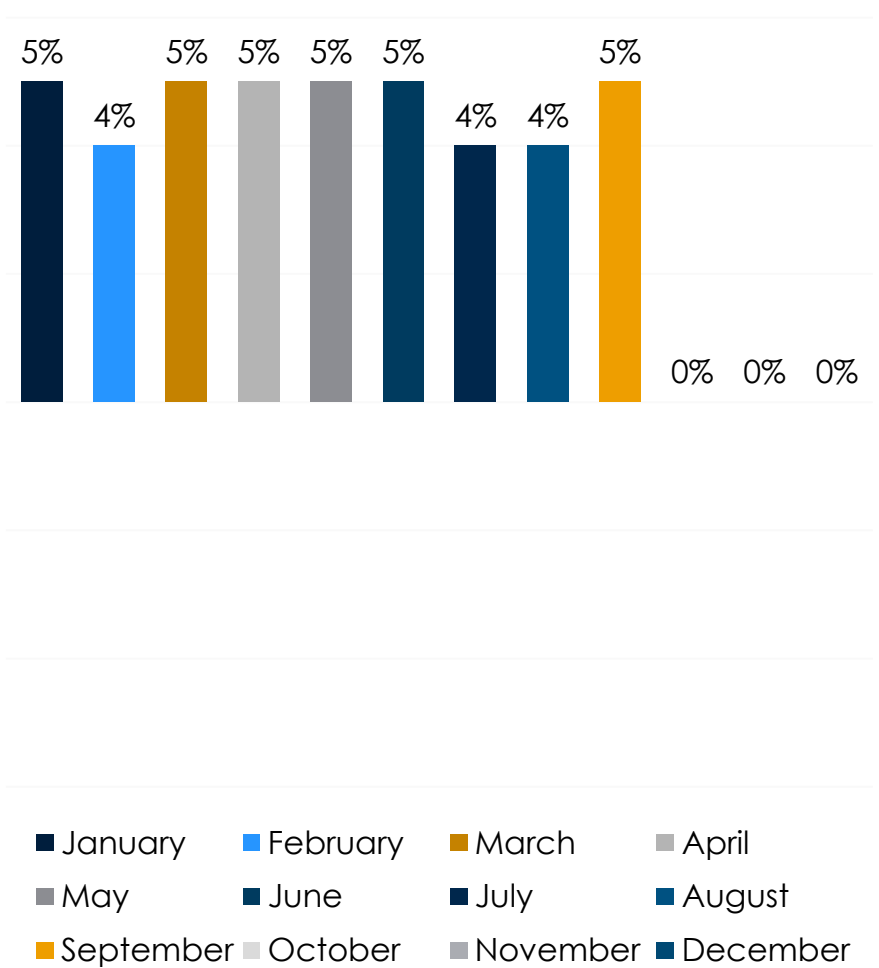


Average Rate Change by Month Year Over Year

Year 2012



Year 2013



BENCHMARKS



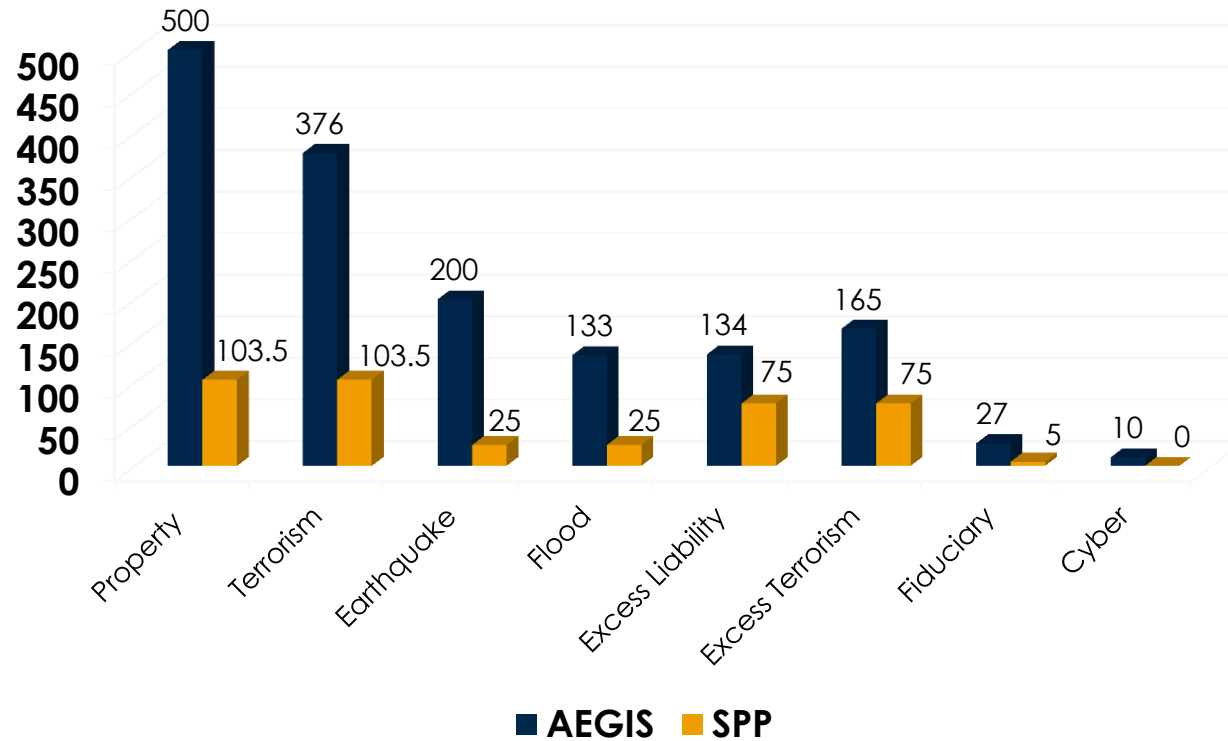
ADVISEN 2013 BENCHMARK

Advisen Cost of Risk - All	1st Quartile	Median	3rd Quartile	SPP
Property	0.62	1.39	3.3	0.49
Auto	0.08	0.25	0.61	0.03
Liability	0.82	1.7	4.05	4.62
Worker Compensation	0.53	1.54	3.91	0.56
Outside Services	0.17	0.38	0.88	0.63

Advisen Cost of Risk - Industrials	1st Quartile	Median	3rd Quartile	SPP
Property	0.58	1.32	3.71	0.49
Auto	0.29	0.41	1.18	0.03
Liability	0.97	2.33	5.53	4.62
Worker Compensation	1.25	2.45	4.24	0.56
Outside Services	0.31	0.65	1.39	0.63

Benchmarks are computed per \$1,000 Revenue

Limits of Insurance Median, in millions (USD)



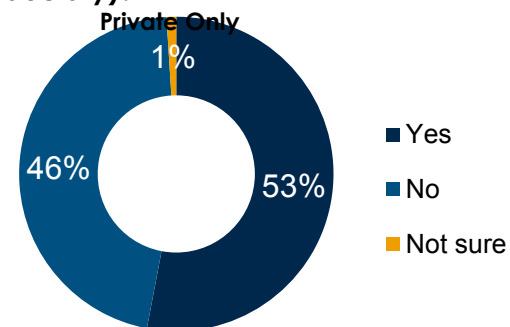
D&O – Limits purchased based on various asset size ranges

Total limits by asset size (in millions)

Private Organizations only

	Participants reporting	First quartile	Median	Third quartile	Average
Less than \$250 million	12	\$3.50	\$5.0	\$7.5	\$8.7
\$250 million to \$999 million	12	\$10	\$17.5	\$25.0	\$18.8
\$1 billion to \$4.9 billion	20	\$25	\$35.0	\$50.0	\$41.3
\$5 billion to \$9.9 billion	3	\$60	\$75.0	\$75.0	\$70.0
\$10 billion or more	8	\$120	\$150.0	\$185.0	\$148.1
All size groups	62	\$10	\$30.0	\$59.0	\$48.5

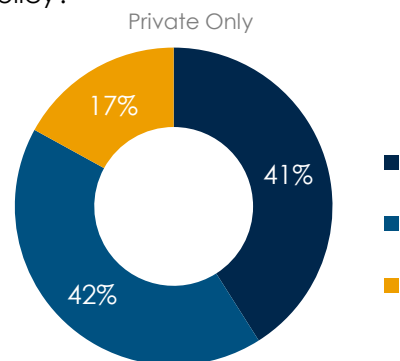
Is your *primary* D&O limit shared or blended with other coverage (e.g., EPL, Fiduciary)?



Source: Towers Watson

MANAGEMENT AND FINANCIAL PRODUCTS BENCHMARKS - A SIDE DIC

Did your organization purchase an excess Side A or Side A DIC policy?



Excess Side A coverage by asset size Private Organizations only

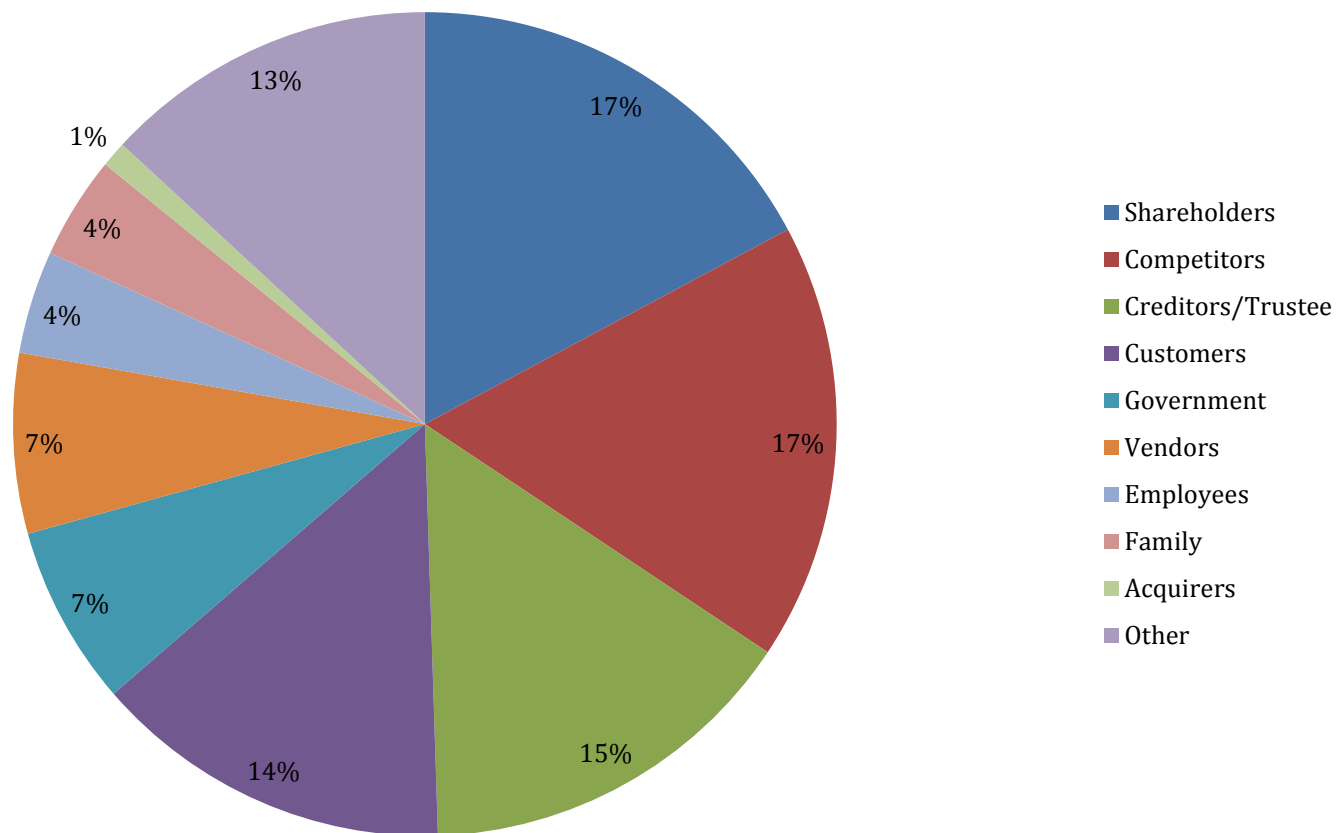
	Participants reporting	Yes	No	Not sure
Less than \$250 million	12	8%	67%	25%
\$250 million to \$999 million	12	25%	42%	33%
\$1 billion to \$4.9 billion	20	40%	45%	15%
\$5 billion to \$9.9 billion	3	67%	33%	0%
\$10 billion or more	9	67%	22%	11%
All size groups	64	41%	42%	17%

Amount of excess Side A purchased by asset size (in millions)

Private Organizations only

	Participants reporting	First quartile	Median	Third quartile	Average
Less than \$250 million	1	\$2.0	\$2.0	\$2.0	\$2.0
\$250 million to \$999 million	3	\$1.0	\$5.0	\$10.0	\$5.3
\$1 billion to \$4.9 billion	8	\$10.0	\$10.0	\$17.5	\$13.8
\$5 billion to \$9.9 billion	2	\$10.0	\$17.5	\$25.0	\$17.5
\$10 billion or more	5	\$50.0	\$55.0	\$100.0	\$68.0
All size groups	24	\$7.5	\$12.5	\$32.5	\$25.4

Source of claims for private companies



Source: Chubb

Claim Trends

- Total claim notices and reserved claims have increased throughout the past 7 years¹
- Claim notices increased 81% (2005 to 2012)¹
- Reserved claim counts increased 113% (2005 to 2012)¹
- Average private D&O & Entity loss: \$ 225,682²
- Average private D&O loss in bankruptcy: \$ 1.7 million²
- The percentage of private companies reporting a claim in the prior 10 years has more than doubled. **2008 - 13%** **2012 - 27%**³
- The percentage of private companies reporting direct/derivative shareholder claims in the prior 10 years has increased 238%. **2008 - 13%** **2012 - 44%**³
- The percentage of private companies reporting Government/regulatory claims in the prior 10 years has increased 375%. **2008 - 4%** **2012 - 19%**³

Source: ¹ – Travelers; ² - Chubb; ³ - Towers Watson

Environment

- Economic Uncertainty
- Continued High Unemployment
- Financial Stress / Bankruptcy Rates (up 142% since 2006)
- Legislative Issues - Affordable Care Act & JOBS Act
- Slower GDP Growth

Effect on Insurers

- Difficult environment and increasing exposures
- Many years of declining premiums due to market pressures
- Expanding Breadth of Coverage
- Continued Margin Compression
 - ✓ Declining net investment income
 - ✓ Extended period of rate decreases
 - ✓ Increasing loss cost: frequency of claim
 - increasing defense costs
 - increasing size of losses

Bottom Line: *Premiums are increasing. Further, there is pressure to increase retentions and restrict coverage.*

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PROGRAM REVIEW



POLICY REGISTER

COVERAGE	COMPANY	A.M. BEST RATING	POLICY TERM	LIMITS	DEDUCTIBLE
Property	C.N.A.	A XV	4/1/2013-14	\$103,535,220	\$10,000*
Auto	Liberty Mutual	A XV	4/1/2013-14	\$2M	\$1K Comp/Collision
General Liability	Liberty Mutual	A XV	4/1/2013-14	\$2M	Guaranteed Cost
Workers Compensation	Liberty Mutual	A XV	4/1/2013-14	\$2M	Guaranteed Cost
Umbrella Incl E&O	Aegis	A- XII	4/1/2013-14	\$35M / \$70M Agg	\$0
Excess Liability	Energy Ins Mutual	A XI	4/1/2013-14	\$40M	\$0
Crime (Employee Dishonesty)	Travelers	A+ XV	4/1/2013-14	\$500K	\$0
D&O/EPLI Primary	Chubb	A++ XV	4/1/2013-14	\$5M	\$15K / \$35K
D&O/EPLI Excess	Travelers	A+ XV	4/1/2013-14	\$5M x \$5M	\$0
D&O/EPLI Excess	RSUI	A XIII	4/1/2013-14	\$10M x \$10M	\$0
D&O/EPLI Excess	ACE	A+ XV	4/1/2013-14	\$10M X \$20M	\$0
D&O - Side A & B	Chartis	A XV	4/1/2013-14	\$10M x \$30 M	\$0
D&O - Side A & B	RLI	A+ X	4/1/2013-14	\$10M x \$40 M	\$0
D&O - Side A & B	Liberty Mutual	A XV	4/1/2013-14	\$10M x \$50M	\$0
Fiduciary	Travelers	A+ XV	4/1/2013-14	\$5M	\$2.5K

*Subject to policy conditions. Deductibles may vary depending on cause of loss.

A. M. BEST INSURANCE RATING

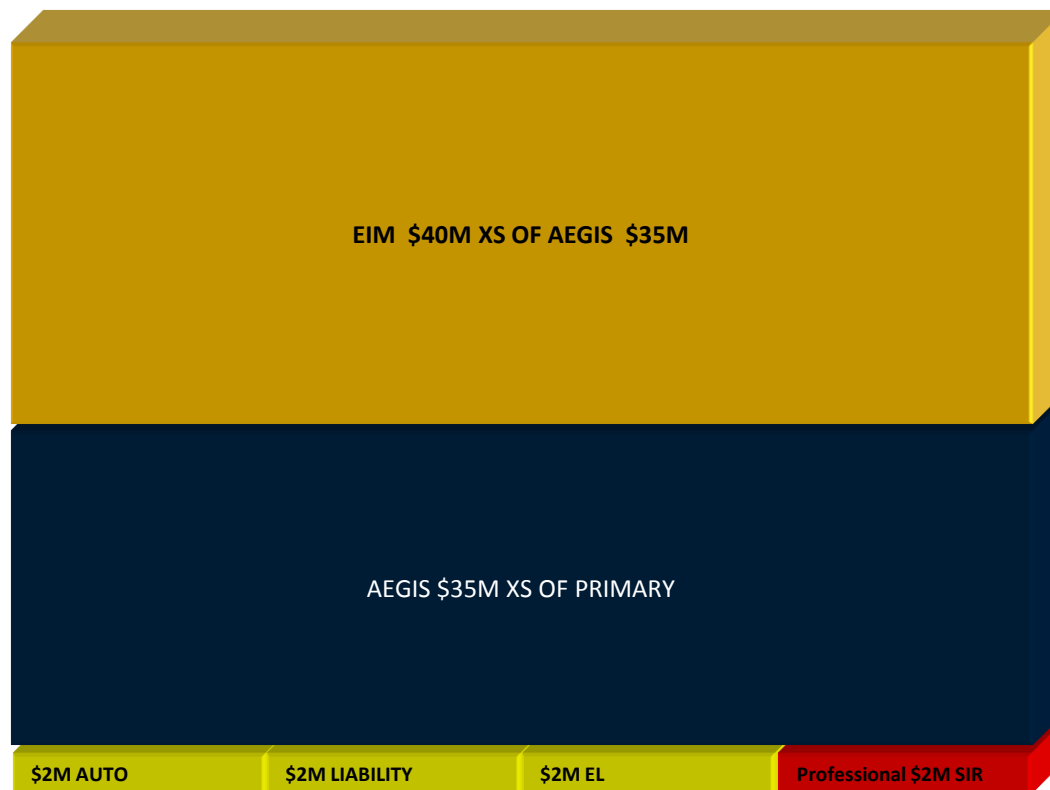
Financial Size Category

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

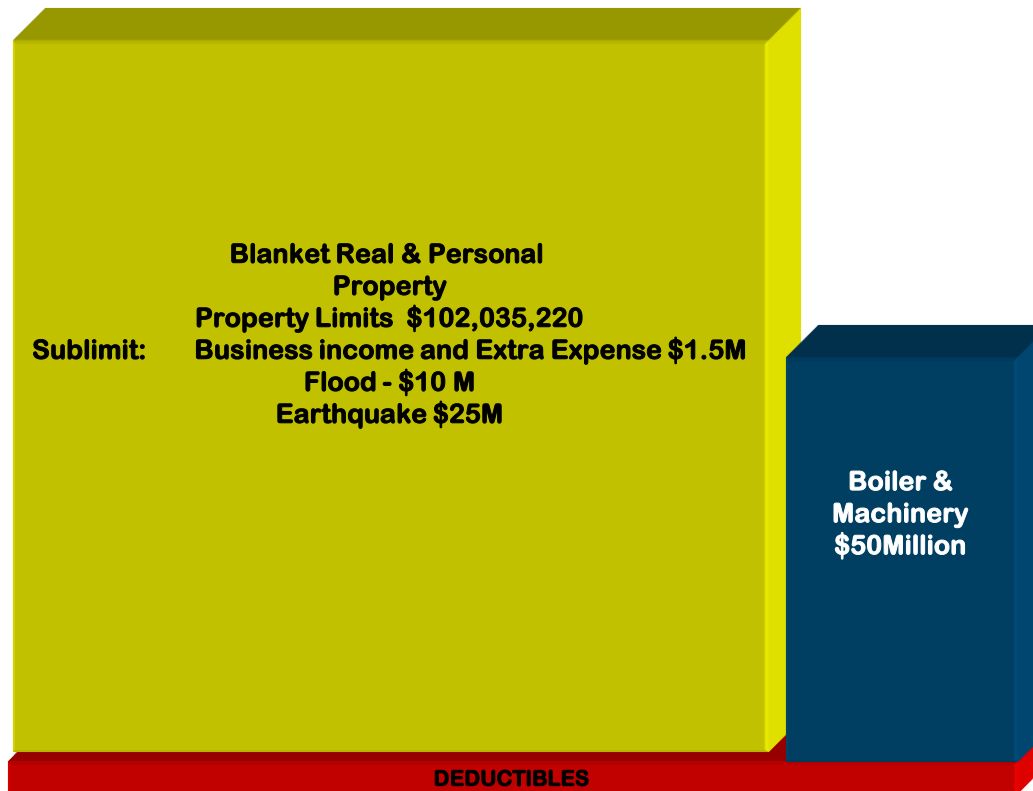
Financial Strength Ratings

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

LIABILITY LIMITS



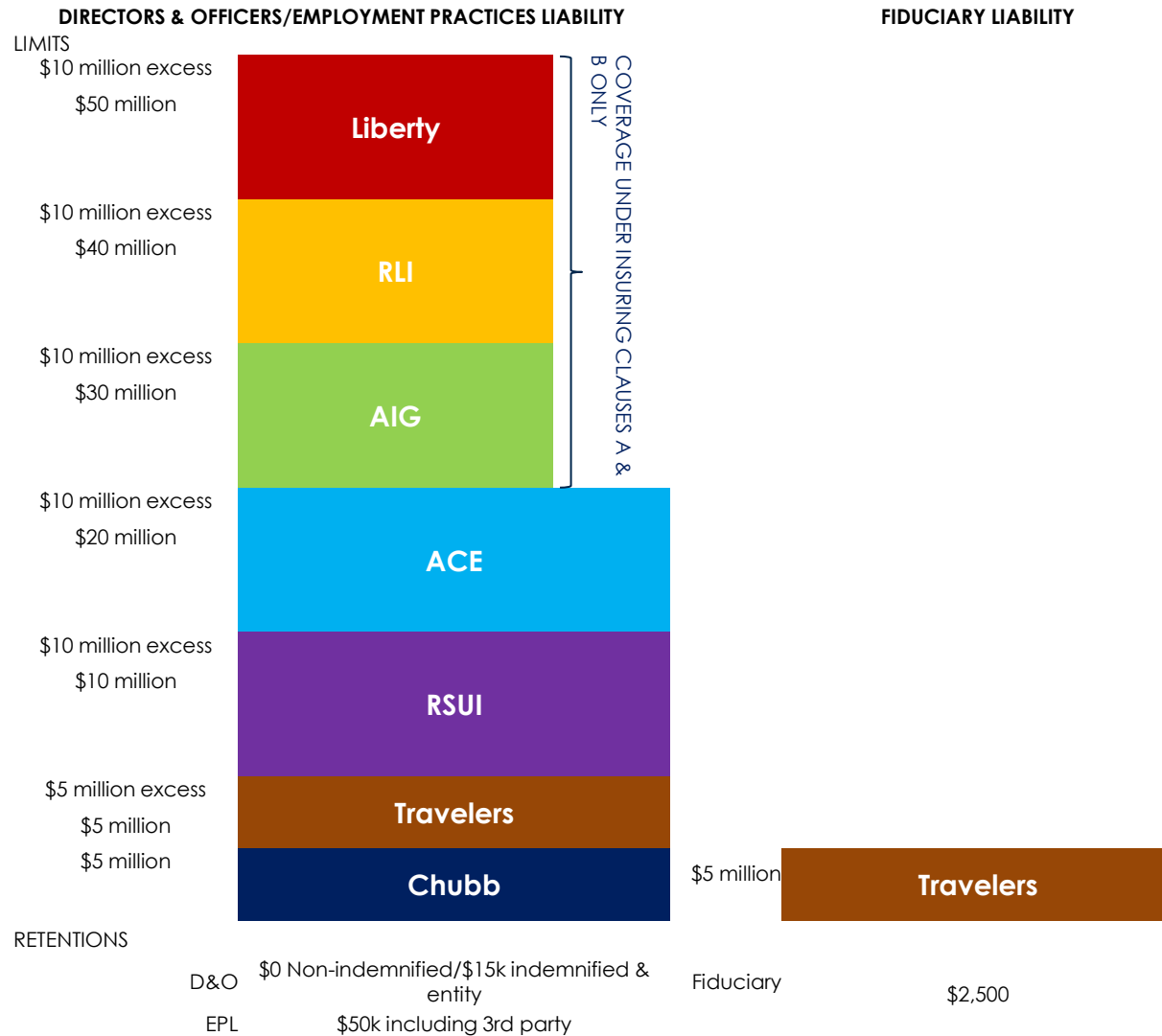
PROPERTY Including Boiler and Machinery



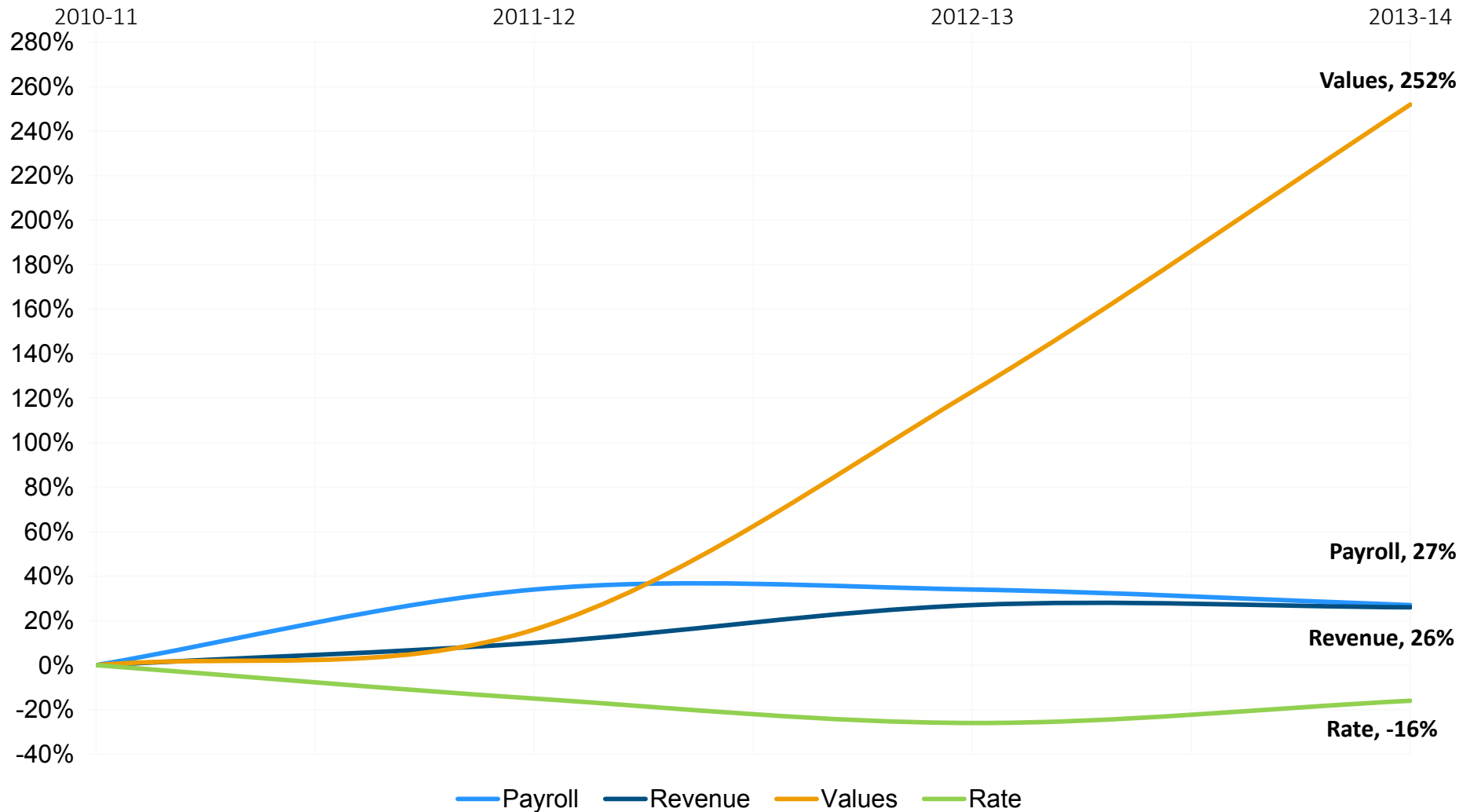
Deductibles:

All Perils	\$10,000
Flood	\$50,000
Quake	\$50,000
Named Storm	\$50,000
Time Element	\$50,000
Machinery	\$10,000

MANAGEMENT AND FINANCIAL PRODUCTS



PREMIUM BASE CHANGE VERSUS RATE CHANGE



RENEWAL

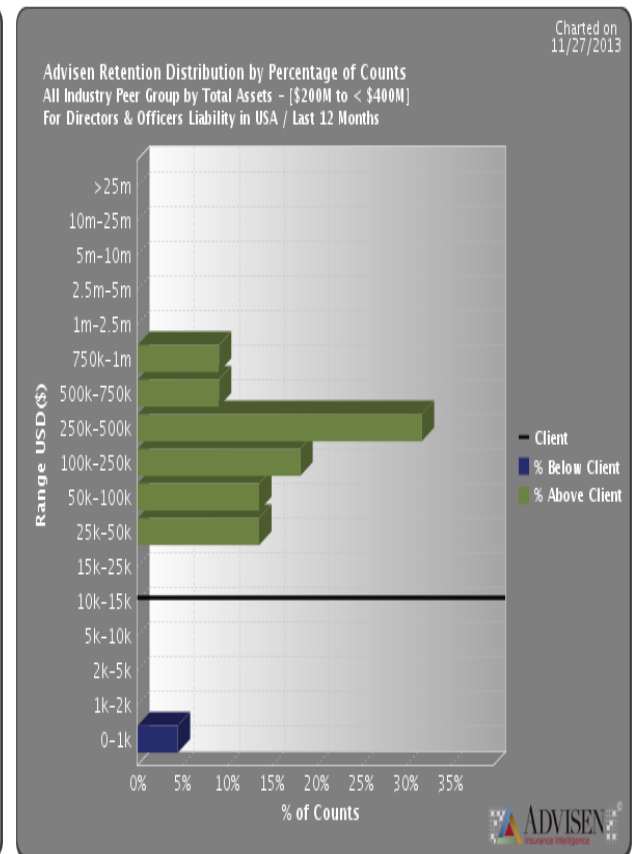
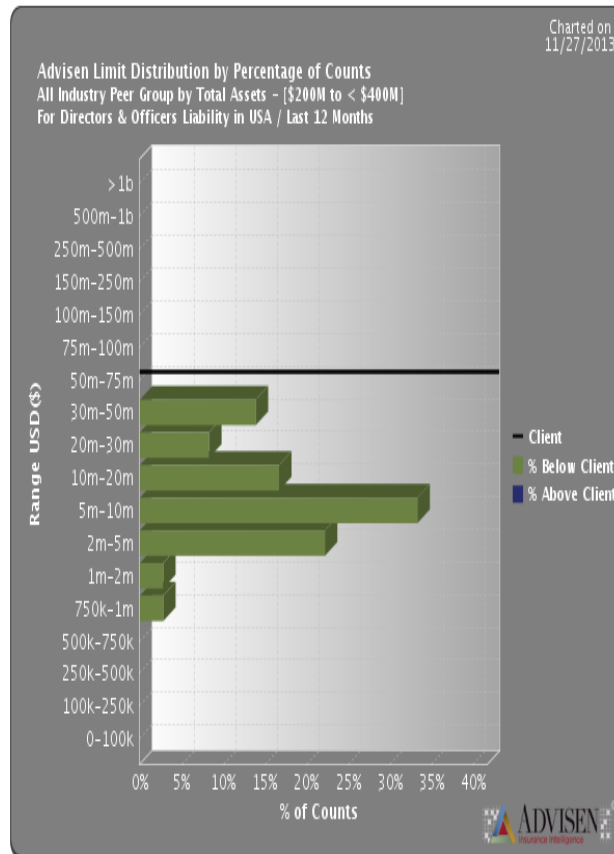
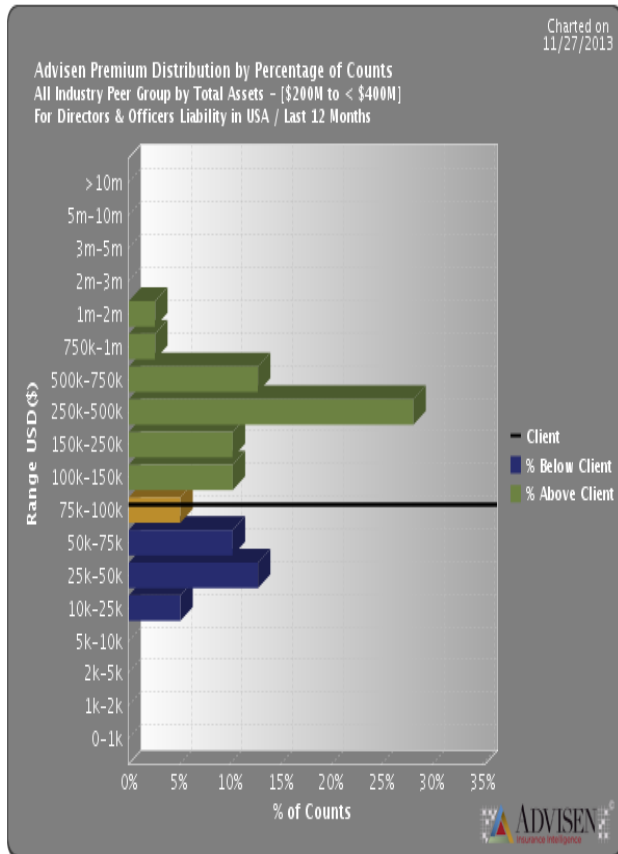
- **Renewal expectations for SPP**
 - ❑ Workers Compensation - 0 to + 5%
 - ❑ Casualty and Umbrella/Excess - 0 to +5%
 - ❑ Property - 0 to +5%
 - ❑ Management Liability – 10% or greater
 - **Provide renewal information to incumbent markets & specified program parameters Before January 1, 2014**
 - **Deliver Proposal before March 1, 2014**
 - **Other Cover Need**
 - ❑ Punitive Wrap
 - ❑ Crime
 - ❑ Cyber Liability
 - ❑ Workplace Violence
-

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APPENDIX

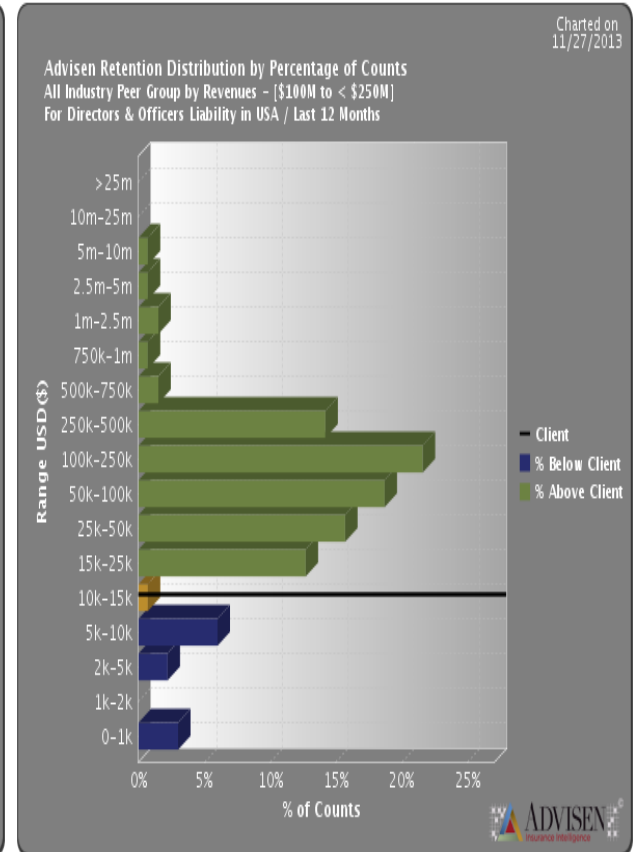
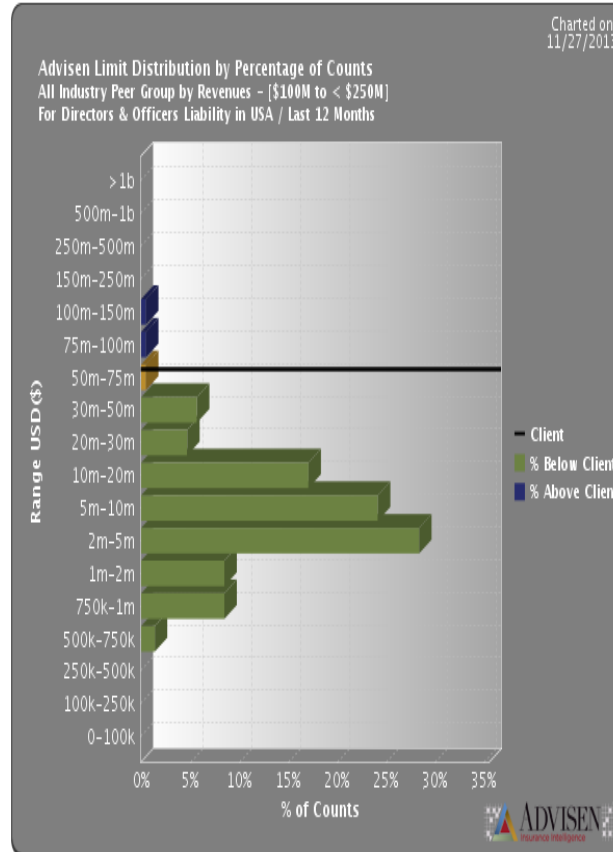
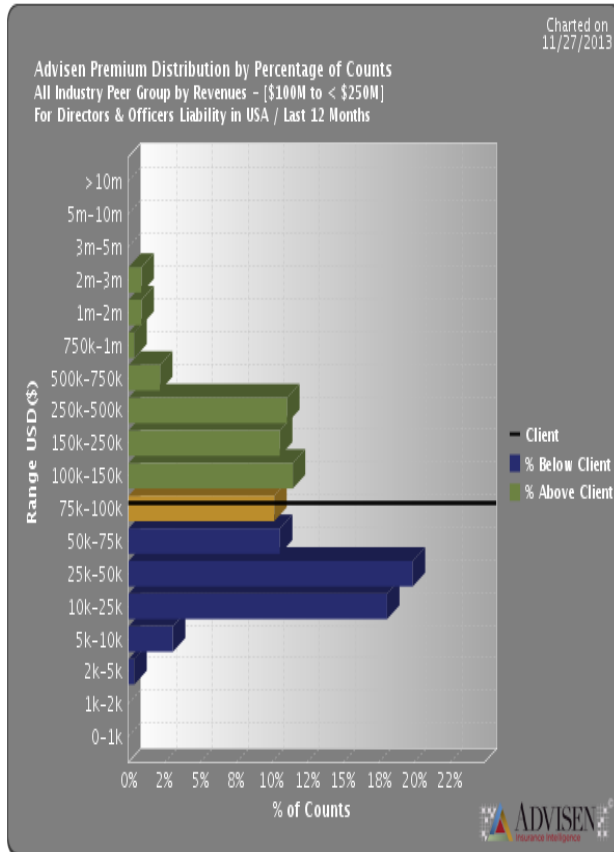


D&O – Companies with Assets btw. \$200M and \$400M



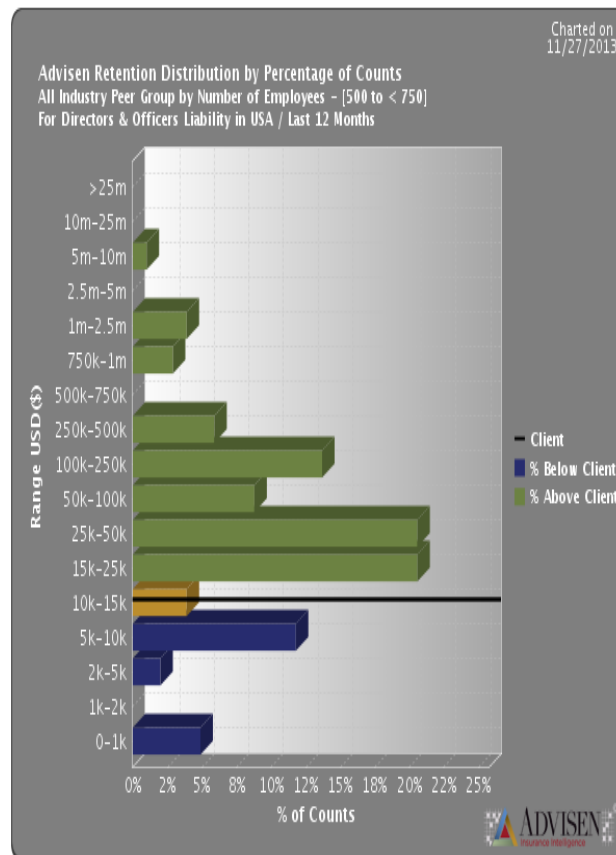
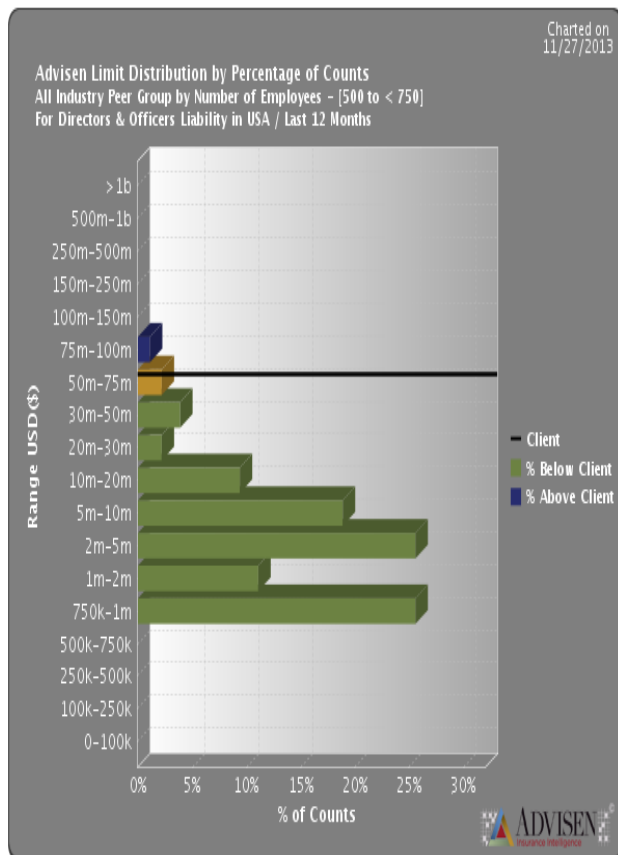
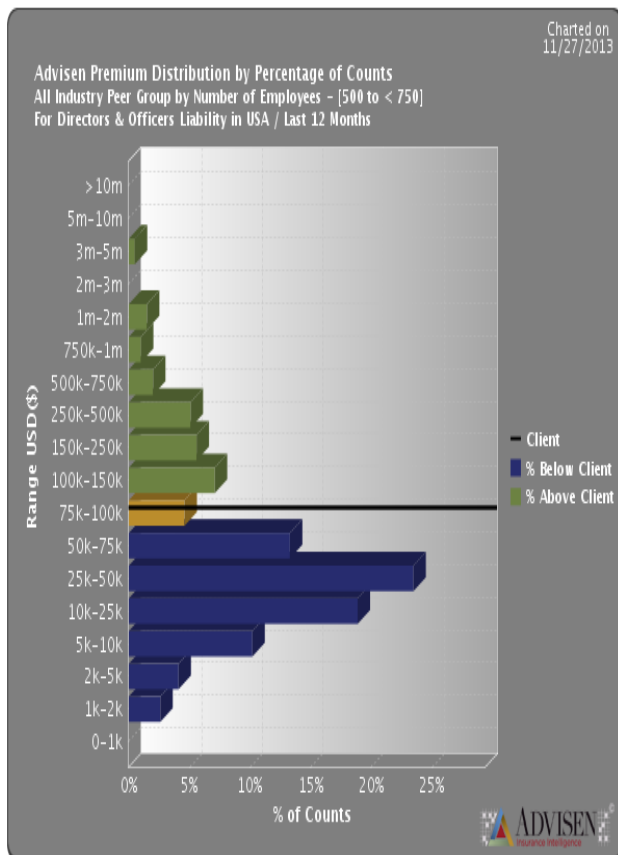
Source: Advisen

D&O – Companies with Revenues btw. \$100M and \$250M



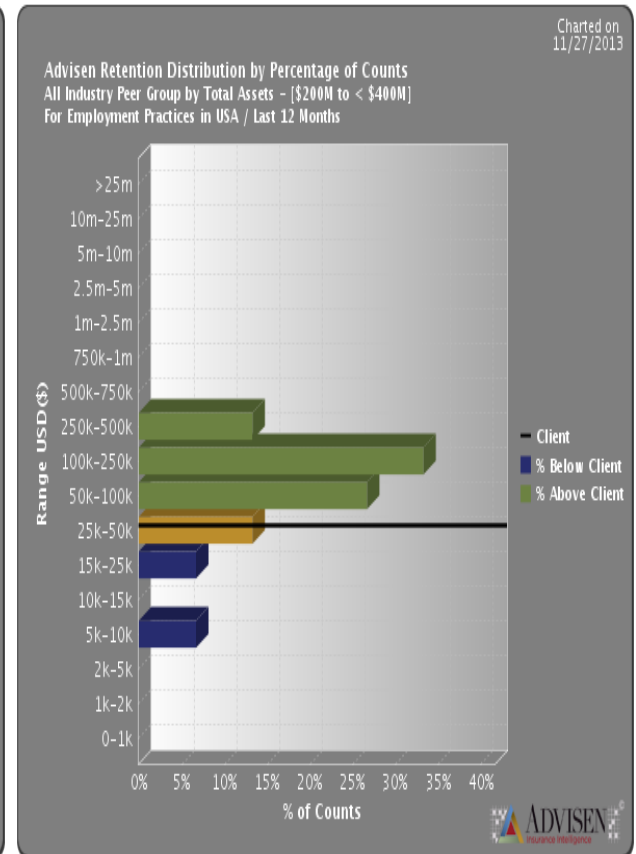
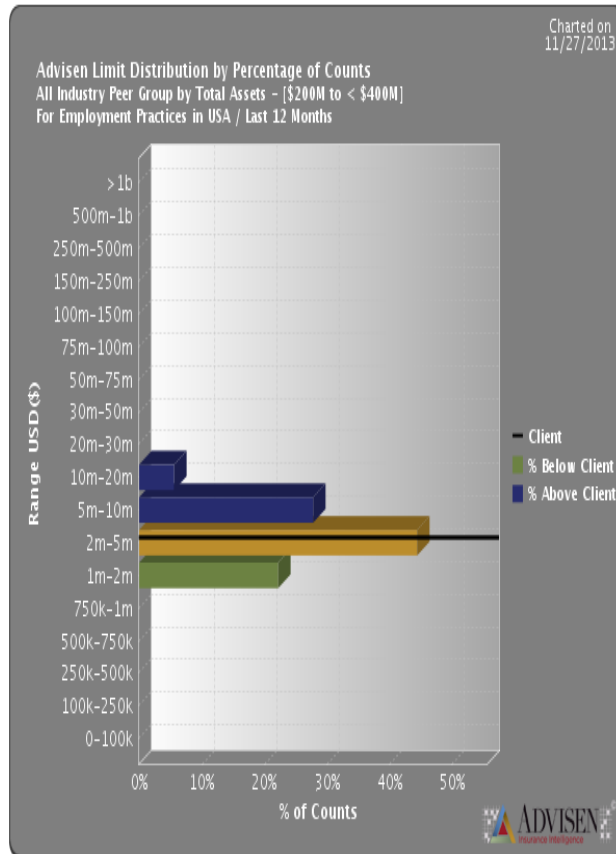
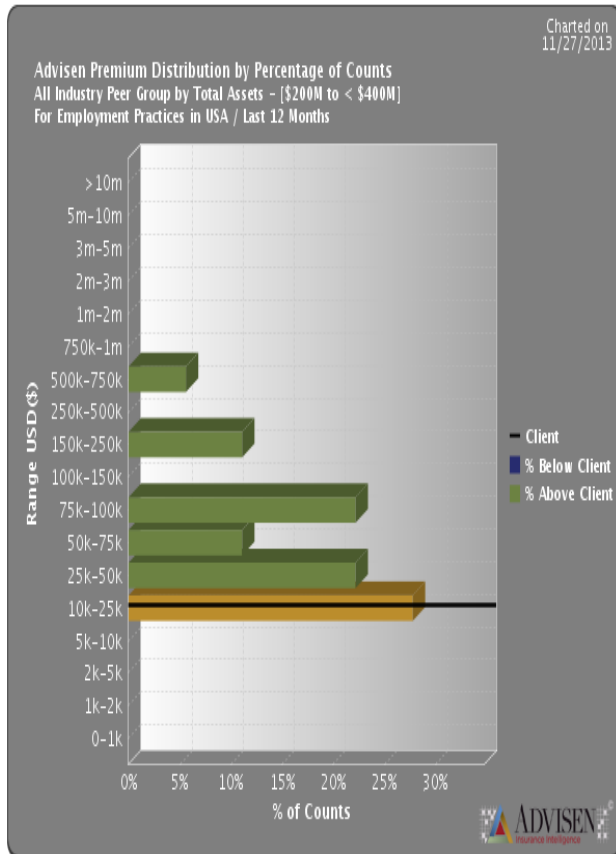
Source: Advisen

D&O – Companies with Employees btw. 500 and 750



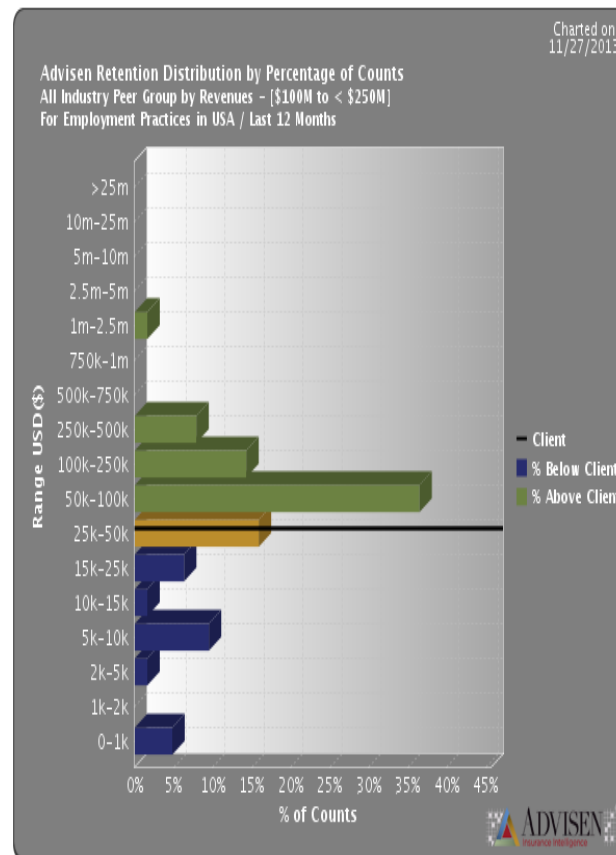
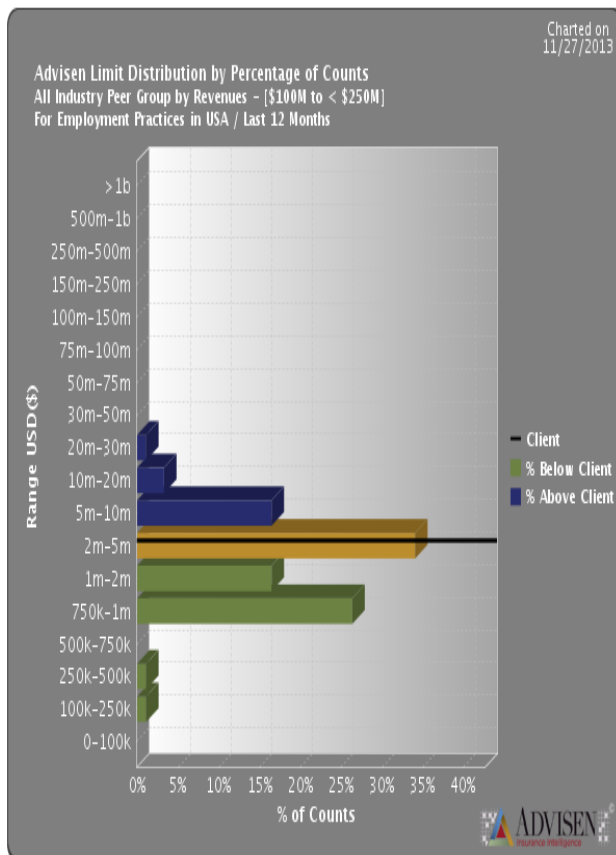
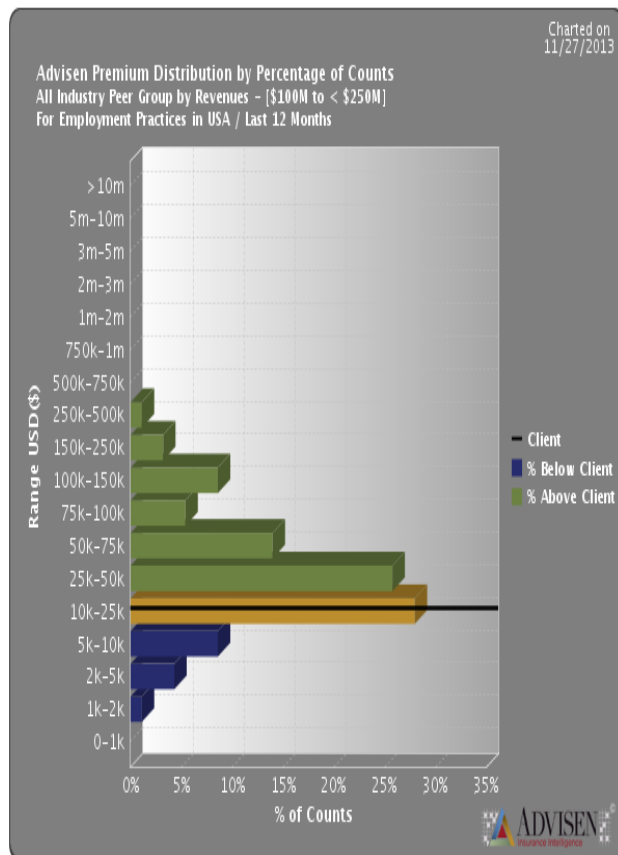
Source: Advisen

EPL – Companies with Assets btw. \$200M and \$400M



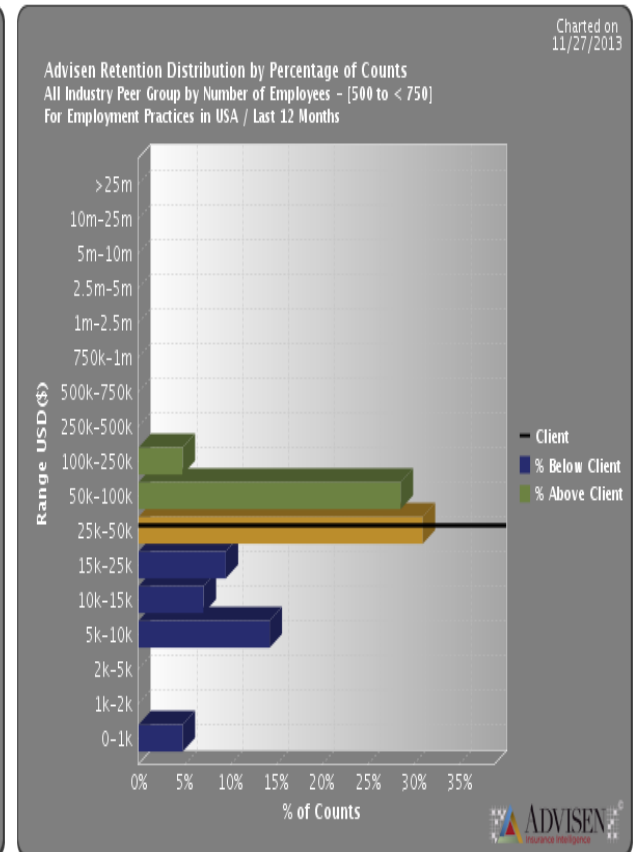
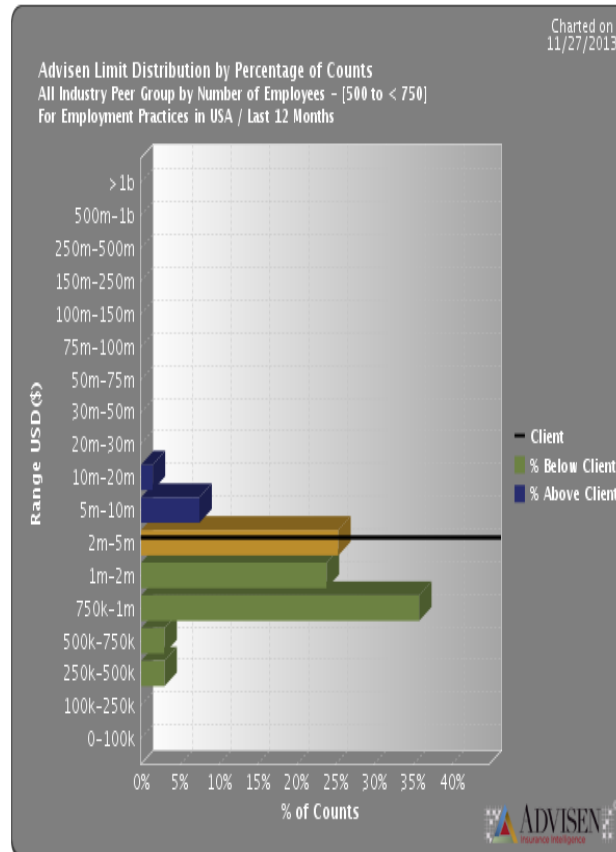
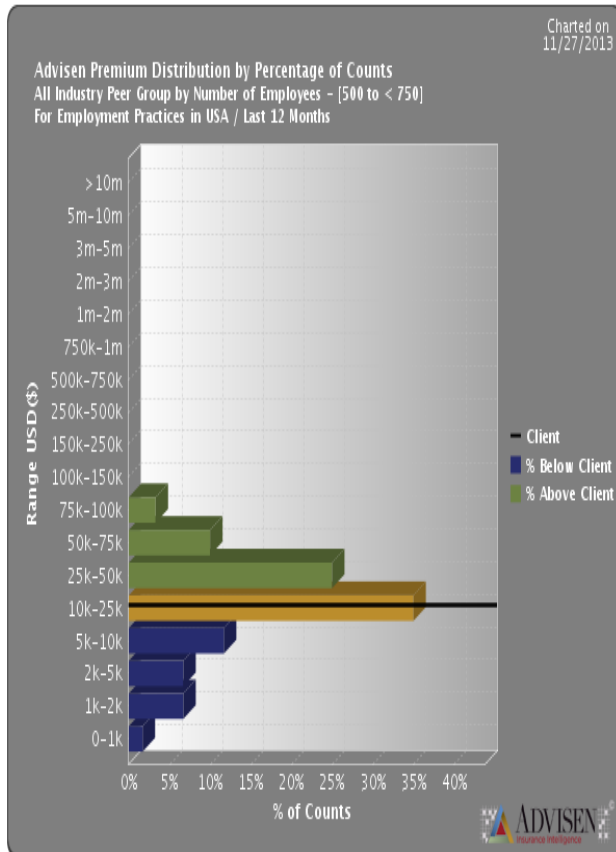
Source: Advisen

EPL – Companies with Revenues btw. \$100M and \$250M



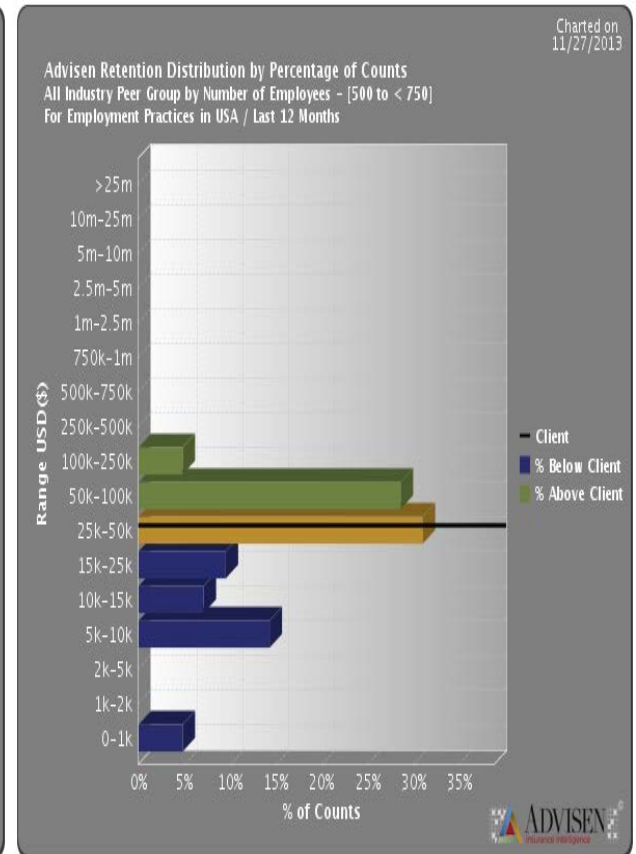
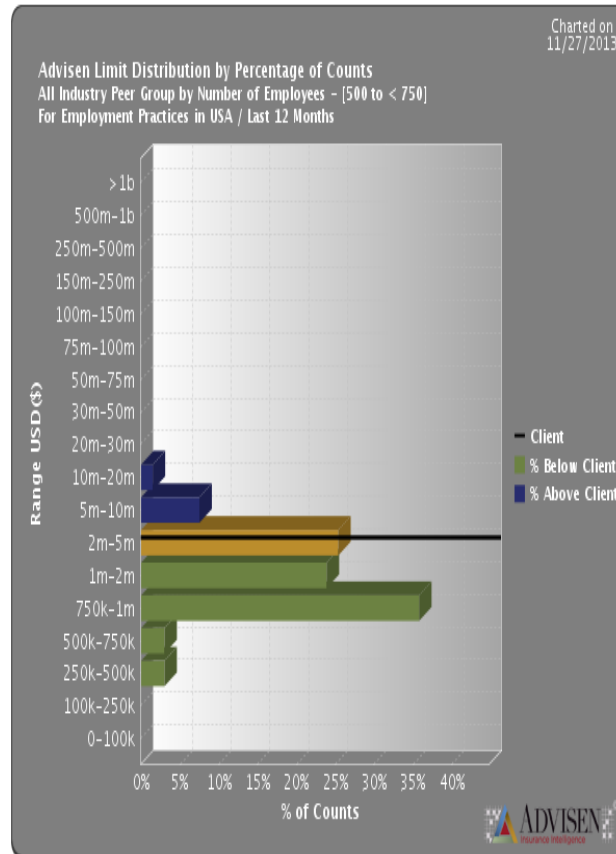
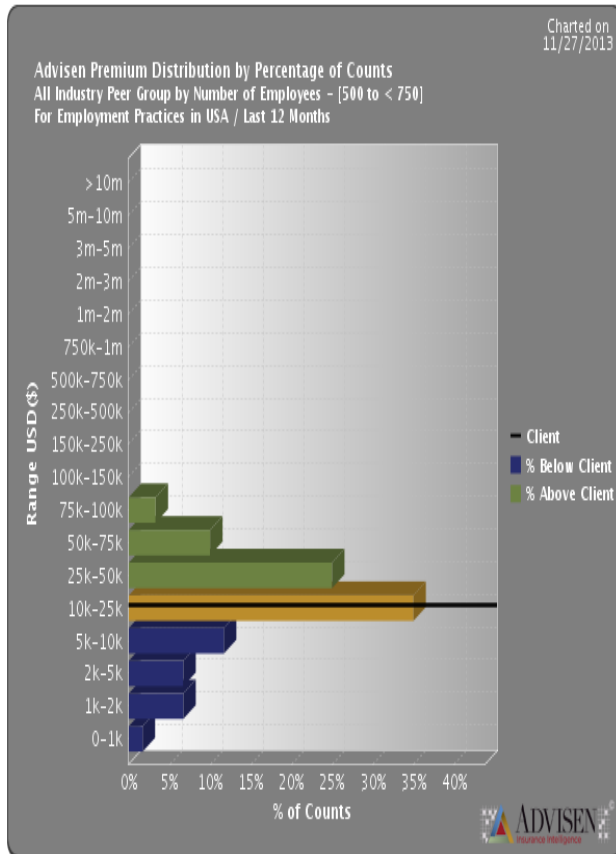
Source: Advisen

EPL – Companies with Employees btw. 500 and 750



Source: Advisen

EPL – Companies with Employees btw. 500 and 750



Source: Advisen

Memorandum

To: Tom Dunn
From: Scott Smith
CC: Phil McCraw
Date: 11/26/2013
Re: Credit Practices Working Group Third and Fourth Quarter 2013 Activities

During third and fourth quarters 2013, the Credit Practices Working Group (CPWG) addressed the following issues. Some of these issues may result in tariff language additions or revisions.

- Long-Term Transmission Congestion Rights Education – Staff has made two presentations covering the history, FERC guidelines and current design of the SPP LTCR product and indicated where there might be credit implications. A white paper was written and distributed for additional educational value. Discussions will continue related to timing and calculation of LTCR credit exposure.
- Guaranty Agreement Revisions (TRR 100) - Clean-up corrections and removal of the requirement that each agreement be described in the Guaranty Agreement.
- Attachment X, Section 5, TCR Credit Exposures (TRR 113) - Corrections in Section 5 for incorrect signage related to TCR credit exposure calculations as well as corrections for ambiguous language.
- Virtual Exposure Educational Presentation – At the request of the CPWG, staff presented a detailed training session on Virtual Energy Trading and their credit exposure impacts. Training materials remain on the CPWG website for future reference for public consumption.
- SPP’s Position on Non-US GAAP Financials - Staff presented the current tariff language concerning financial statements acceptable by SPP and what is acceptable by several other ISO/RTOs. The group engaged in some discussion though no changes to SPPs business practices are contemplated at this time. The group will continue dialogue on this topic.

Memorandum

To: SPP Finance Committee
From: Tom Dunn
CC:
Date: November 18, 2013
Re: Actuarial Assumptions for Pension Valuation

The SPP Finance Committee, at its April 2013 meeting, requested SPP staff provide an early look at assumptions utilized in valuation of SPP's pension plan and post-retirement healthcare plan. This memo provides that look at the three major assumptions: discount rate, long-term rate of return, and compensation change rate.

Discount Rate: The SPP Finance Committee, at its April 2008 meeting, concurred on a process to set the discount rate used in pension valuation. In general, the method used to set the discount rate follows the framework described in the Pension Protection Act of 2006. Section 102 of Title I of the Pension Protection Act of 2006 defines interest rates for determining the funding targets of covered plans. These interest rates are 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 (the top three rating tranches).

Also described in the Pension Protection Act of 2006 are three Segment Rates that can be used for the purpose of assigning a discount rate. These rates are differentiated based on the maturities of the corporate bonds underlying the yield curves used to determine each rate. The segments are broken down as follows:

1. First – zero through five years
2. Two – six through fifteen years and
3. Three – greater than fifteen years

The final issue to address is the selection of a Segment Rate for the SPP plan. One of the most pertinent demographic points to consider here is that the average age of the participants in the SPP retirement plan is less than 45 years. This would indicate that major distributions from the plan should not begin occurring, on average, for another twenty years.

The Moving Ahead for Progress in the 21st Century Act (MAP-21), a funding and authorization bill to govern U.S. federal surface transportation spending, contained a pension stabilization feature which reduced required contributions for single-employer pension plans substantially, especially for plan years 2012 and 2013. Unless interest rates rise, however, required contributions will return to pre-MAP-21 levels in a few years.

MAP-21 allows plan sponsors to measure pension liability using the 25-year average of segment rates plus or minus a corridor. The corridor started at plus or minus 10% for 2012, and increases by 5% each year until it reaches plus or minus 30% for 2016 and later. This will increase segment interest rates by 100 – 320 basis points, which will significantly lower plan liabilities and thus required contributions for plan years 2012 to 2016. Over time, the pension funding stabilization effect will decline as projected segment rates fall within the corridors.

The Internal Revenue Service publishes periodic updates to segment rates throughout the year. The most recent update, published September 30, 2013 (Internal Revenue Bulletin 2013-40) indicated 24-month average segment rates of 1.37%/4.05%/5.06% and adjusted rates consistent with the MAP-21 directive of 4.43%/5.62%/6.22%. SPP used a discount rate of 5.50% in 2012.

Long-term Rate of Return: The SPP Finance Committee, at its April 2008 meeting, concurred on a process to set the discount rate used in pension valuation. The method used by SPP to assign the long-term rate of return is based upon an analysis of the



long-term returns of widely recognized benchmark investments similar in asset allocation to the investments held in the pension plan trust. The benchmark returns are weighted based on SPP's desired asset allocation described in the Investment Policy Statement.

The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected. The Lehman Brothers Government/Credit Bond Index represents a combination of the Lehman Brothers Government Bond Index (composed of the Treasury Bond and Agency Bond Indices, the 1-3 year Government Index and the 20+ year Treasury Index) and the Lehman Brothers Credit Bond Index (includes all publicly issued, fixed-rate, non-convertible investment grade corporate debt).

	<u>Russell 3000</u>	<u>Barclays Gov't/Credit Index</u>
15 Year Return	5.82%	5.24
Target Allocation	70%	30%
Weighted Avg. Return	4.07%	1.57%
Historical Expected Portfolio Return	5.64%	

Based on the 15 year historical benchmark returns above, SPP may want to consider reducing its long-term rate of return assumption to 5.75% from 7.00%.

Compensation Change Rate: SPP's year over year growth rate in compensation has significantly exceeded the long-term growth rate of 4% SPP has used in its pension valuation.

	Historical Compensation Growth										
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Salary (\$MM)	\$16.8	\$22.2	\$26.9	\$33.1	\$37.1	\$42.3	\$46.9	\$50.5	\$54.3	\$56.1	\$57.7
YoY Growth		32.4%	21.1%	23.1%	12.2%	13.9%	10.9%	7.6%	7.6%	3.3%	2.9%

SPP expects base salary levels to grow significantly slower into the future as SPP reduces the incremental growth it has experienced in its headcount. SPP has budgeted 3.15% growth in compensation for the 2014 fiscal year while inflation expectations are low. A 4% long-term growth rate appears to be a reasonable assumption and provides a buffer for potential inflation in the future.



Memorandum

To: SPP Officers / Directors / Managers
From: Sheri Dunn / Cindy Goodwin
Date: November 21, 2013
RE: October 2013 Financial Package

Attached are the [October 2013](#) monthly financial reports.

	Page
1). Financial Commentary: Full-Year Actual / Forecast to Budget Variances	1
2). Financial Forecast Overview: Full-Year Actual / Forecast by month compared to Budget and Prior Year	3
3). Income Statement Actual Results Overview: Current Month Actual compared to Forecast, YTD Actual compared to Budget and YTD Actual compared to Prior Year	4
4). Balance Sheet: Current Month compared to Ending Prior Year	5
6). Capital Projects Summary: Current year and future projections compared to total project Budget	6
7). Headcount Analysis: Current Month Actual compared to Budget and Final Forecast compared to original Budget	13
8). Job Tracker: List of current open positions as tracked by Human Resources	14



2013 Financial Commentary
 October 31, 2013
 (in thousands)

Summary				
	2013 FY Forecast	2013 FY Budget	Fav/(Unfav) Variance	
Revenues	\$142,447	\$147,015	(\$4,568)	(3.1%)
Expenses	155,205	162,625	7,421	4.6%
Net Income/(Loss)	<u>(\$12,758)</u>	<u>(\$15,610)</u>	<u>\$2,853</u>	18.3%

Revenue				
	2013 FY Forecast	2013 FY Budget	Fav/(Unfav) Variance	
Tariff Administration Service	\$112,715	\$113,799	(\$1,084)	(1.0%)
Fees & Assessments *	25,404	28,211	(2,807)	(10.0%)
Contract Services Revenue	434	721	(287)	(39.8%)
Miscellaneous Income	3,894	4,284	(390)	(9.1%)
Total Revenue	<u>\$142,447</u>	<u>\$147,015</u>	<u>(\$4,568)</u>	(3.1%)
* Breakdown of Fees & Assessments:				
Annual Non-Load Dues	\$450	\$402	\$48	11.9%
NERC ERO Regional Entity Rev	9,849	11,515	(1,666)	(14.5%)
FERC Fees & Assessments	15,105	16,294	(1,189)	(7.3%)
Total Fees & Assessments	<u>\$25,404</u>	<u>\$28,211</u>	<u>(\$2,807)</u>	

Tariff Administration Service revenue budget assumed a minimal amount of growth in load history over Jul-2011 thru Aug-2012. Current projections reflect a slight decrease in network and point-to-point service (0.7%), and revenues are expected to be below budget by \$1.1M.

NERC ERO Regional Entity revenue is based on expenses incurred by the Regional Entity (RE), which trail budget (\$1.7M).

FERC Schedule 12 revenues are billed a month in arrears and based on network transmission. The budget assumed a 3% increase over actual Schedule 12 revenues from Aug-2011 thru Jul-2012. Subsequent to completion of the budget, the 2013 Schedule 12 rate was adjusted down from \$0.072 in 2012 to \$0.064 for 2013. The forecast has been adjusted with the lower rate, and the expected full-year impact is a \$1.2M shortfall compared to the budget.

Contract Services Revenue budget includes revenue for OVEC (\$376K) and Entergy Regional Service Committee (ERSC) (\$345K). Removal of the ERSC revenues from the forecast created an unfavorable variance in revenue; however, ERSC expenses were also removed from the forecast (\$280K). The net ERSC revenue/expense variance is \$65K unfavorable for the year. OVEC revenues are forecast at \$47K higher than budget, as the contract was renewed at a higher rate beginning in April 2013.

Miscellaneous Income primarily consists of revenues associated with billable resource time related to various studies and other non-recurring income items. The budget assumed costs of the Order 1000 program would be recovered by SPP; however, the revenue has been removed from the forecast given the delay in the FERC ruling and projected start date now targeted for early 2014 (\$650K). Revenue for Engineering studies trail budget by \$430K.

Partially offsetting the unfavorable variances in Miscellaneous Income are reimbursements for ICT transition services and ICT studies (\$350K), ARS reimbursements (\$242K), sales tax rebates (\$82K) and map sales (\$17K), which were not considered in the budget.



2013 Financial Commentary
 October 31, 2013
 (in thousands)

Expense				
	2013 FY Forecast	2013 FY Budget	Fav/(Unfav) Variance	
Salary & Benefits	\$76,883	\$77,363	\$479	0.6%
Assessments & Fees	14,699	16,340	1,641	10.0%
Communications	3,623	4,427	804	18.2%
Maintenance	11,120	10,476	(644)	(6.2%)
Outside Services (Including RSC)	15,522	16,347	825	5.0%
Administrative & Leases	4,410	5,400	990	18.3%
Travel & Meetings	2,840	4,200	1,360	32.4%
Depreciation & Amortization	19,498	20,296	798	3.9%
Other Expenses	6,611	7,777	1,167	15.0%
Total Expense	<u>\$155,205</u>	<u>\$162,625</u>	<u>\$7,420</u>	4.6%

Salaries & Benefits are projected to be favorable to budget by \$479K. Budget calculations for social security did not incorporate the salary cap, and therefore tax expenses are favorable to budget (\$384K). Per-employee rates used in the budget for dental and life insurance were slightly higher than actual rates and also reflect a favorable variance of \$360K in employee benefits. Continuing education costs also trail budget and contribute to the favorable variance (\$266K). The budget assumed a vacancy rate of 6% (based on historical vacancy levels); however, the forecasted vacancy rate is closer to 3% and cause salaries to exceed budget by \$334K. Increased healthcare costs also offset the overall favorable variance (\$287K). Miscellaneous other immaterial amounts make up the remaining variance to budget.

For Communications expenses, voice circuits / SPPnet frame were budgeted in 2013 based on estimated growth in Market Participants, which has shown no increase to date, and thus contributes to the favorable variance to budget (\$804K).

Maintenance exceeds budget by \$644K, which relates to items incurred at an earlier date than assumed in the original budget (AIMMS/CPLEX license and rentals, and CMT and Nelezza Box maintenance). The current full-year maintenance forecast variance to budget is expected to be approximately 6% .

The Outside Services forecast has been reduced in the following areas:

- Regional Entity - 10% reduction reflecting cost containment efforts (\$659K)
- Legal - Removed contingency - SPP determined not to appeal multiple state commission orders in Entergy dockets (\$416K)
- Engineering - Studies consulting expense trailing budget (\$351K)
- Corporate Services - Removal of GMAC decommission contingency and on-site medical clinic (\$339K)
- Administration - Order 1000 start-up costs - delayed until 2014 (\$236K)
- Regional State Committee - Conferences scaled back (\$140K)
- Market Monitoring - Staff augmentation (\$111K)

Unbudgeted adhoc consulting projects partially offset the favorable variances noted above (\$590K). Additionally, outside consulting expense has been added in the Project Management department (\$235K). The budget considered all contract project manager costs would be capitalized within the Integrated Marketplace project; however, several contract project managers are working on non-Integrated Marketplace, non-capital projects, and their costs are currently expensed as staff augmentation. Operations staff augmentation also contributes to the offset (\$595K).

The favorable Administrative expense variance is mainly attributed to utilities and office expenses. The majority of the difference is in utilities (\$916K). The utilities expenses were budgeted based on guidance from outside experts prior to occupying the facility. Utilities have been considerably less than these original estimates and the forecast has been adjusted to reflect the anticipated expenses for the remainder of the year. Office expenses are significantly lower than the budget (\$350K). This is primarily the result of the consolidation of staff into one facility and the implementation of a centralized process for tracking and ordering supplies. Miscellaneous equipment purchases exceed budget and partially offset the favorable Administrative variance (\$183K). These are miscellaneous asset purchases under \$1K, which are expensed as they do not meet the \$1K capital threshold. Equipment leases slightly exceed budget (\$44K).

Expenses related to the ERSC were inadvertently left in the budget and account for \$244K of the overall favorable variance in Meetings expense, which trails budget \$676K overall. Other major components of the meetings expense variance are represented in various SPP Working Group meetings (\$319K), Training (\$173K) and Regulatory (\$34K). Corporate Services continues to analyze scheduled meeting expense projections and provides updated forecast estimates as available. Travel expenses trail budget across various departments (\$667K). Much of the variance is associated with Integrated Marketplace outreach meetings, which are not anticipated to involve staff travel (\$156K).

Depreciation trails budget year-to-date due to timing of capital purchases and completed projects being placed into service. Other Expenses are composed of interest income / expense / capitalization; miscellaneous income / expense; and various other valuation adjustments. Due to their unpredictability, most items are not considered in the budget, including Interest Income, Other Income/Expense (457b adjustment) and valuation adjustments. These items are generally favorable in comparison to the budget. Capitalized Interest is impacted by the timing and amount of capital expenditures on significant projects and is expected to be within 1% of the original budget.



Southwest Power Pool
Monthly Forecast Overview
October 31, 2013
(in thousands)

	Actual Jan-13	Actual Feb-13	Actual Mar-13	Actual Apr-13	Actual May-13	Actual Jun-13	Actual Jul-13	Actual Aug-13	Actual Sep-13	Actual Oct-13	Fcst Nov-13	Fcst Dec-13	FY 2013 Forecast	FY 2013 Budget	Variance Fav/(Unfav)	FY 2012 Actual	Variance Fav/(Unfav)
Income																	
Tariff Administrative Service	\$9,657	\$8,685	\$9,571	\$9,187	\$9,510	\$9,365	\$9,542	\$9,575	\$9,252	\$9,624	\$9,244	\$9,503	\$112,715	\$113,799	(\$1,084)	\$92,230	\$20,485
Fees & Assessments	2,578	2,292	1,541	1,856	1,854	1,970	2,282	2,495	2,221	2,158	2,029	2,127	25,404	28,211	(2,807)	26,578	(1,174)
Contract Services Revenue	31	60	4	36	40	36	36	36	36	46	36	36	434	721	(287)	22,687	(22,252)
Miscellaneous Income	207	325	292	453	368	174	419	365	312	286	297	397	3,894	4,284	(390)	6,424	(2,530)
Total Income	12,473	11,363	11,409	11,532	11,770	11,546	12,279	12,471	11,821	12,114	11,606	12,062	142,447	147,015	(4,568)	147,919	(5,472)
Expense																	
Salary	4,343	4,365	4,363	4,355	4,350	4,342	4,440	4,410	4,596	4,435	4,359	4,372	52,730	52,396	(334)	48,974	(3,755)
Benefits & Taxes	1,881	2,048	1,979	2,108	1,908	2,269	1,906	1,894	2,008	1,892	1,738	1,911	23,541	24,087	546	22,746	(795)
Continuing Education	61	44	55	59	64	25	65	31	68	25	42	72	612	879	266	543	(70)
Salary & Benefits	6,286	6,457	6,397	6,523	6,321	6,636	6,411	6,335	6,671	6,352	6,139	6,355	76,883	77,363	479	72,262	(4,621)
Employee Travel	122	177	168	158	233	153	130	168	153	155	151	1,926	2,614	688	2,245	319	
Administrative	338	175	524	265	177	535	264	262	726	294	188	232	3,980	5,014	1,034	3,720	(260)
Assessments & Fees	1,362	1,362	1,362	1,362	1,362	611	1,213	1,213	1,213	1,213	1,213	1,213	14,699	16,340	1,641	14,977	278
Meetings	36	19	149	80	84	124	73	89	73	92	48	47	914	1,586	672	983	69
Communications	275	327	263	308	333	309	268	303	307	301	315	315	3,623	4,427	804	4,020	398
Leases	73	73	76	84	10	20	13	17	16	16	16	16	430	386	(44)	1,690	1,260
Maintenance	894	874	955	923	892	937	948	901	946	970	935	945	11,120	10,476	(644)	8,288	(2,832)
Services	914	1,361	891	1,300	1,058	1,615	1,311	1,313	1,095	1,430	1,429	1,602	15,318	16,003	684	14,705	(614)
Regional State Committee	9	28	14	9	25	12	14	20	17	13	28	15	203	344	141	455	252
Depreciation & Amortization	1,327	1,552	1,774	1,633	1,661	1,651	1,619	1,597	1,594	1,688	1,700	1,700	19,498	20,296	798	16,590	(2,908)
Total Expense	11,635	12,405	12,571	12,644	12,156	12,603	12,264	12,217	12,813	12,525	12,170	12,592	148,594	154,848	6,253	139,935	(8,817)
Other Income/(Expense)																	
Gain or Loss on Sale of Fixed Ass	-	-	-	-	58	-	-	-	-	(1)	-	-	57	-	57	(264)	320
Other Income/Expense	40	2	43	3	20	(23)	(6)	(23)	44	47	-	-	146	-	146	(3,451)	3,596
Interest Income	39	18	31	24	15	(14)	43	(23)	31	42	-	-	206	-	206	149	57
Interest Expense	(867)	(891)	(909)	(884)	(882)	(897)	(870)	(871)	(884)	(856)	(849)	(864)	(10,523)	(10,502)	(22)	(9,120)	1,403
Capitalized Interest	-	-	800	-	-	719	-	-	675	-	-	577	2,770	2,724	46	2,723	(48)
Change in Valuation of Swap	-	-	231	-	-	361	-	-	142	-	-	-	734	-	734	674	(60)
Net Other Income (Expense)	(788)	(871)	196	(857)	(789)	147	(834)	(917)	7	(769)	(849)	(286)	(6,611)	(7,777)	1,167	(9,290)	5,270
Net Income (Loss)	\$50	(\$1,914)	(\$966)	(\$1,969)	(\$1,174)	(\$910)	(\$818)	(\$663)	(\$985)	(\$1,179)	(\$1,413)	(\$816)	(\$12,758)	(\$15,611)	\$2,853	(\$1,307)	(\$11,451)
2013 Headcount Actual/Fcst	565	565	566	570	569	572	578	579	578	569	567	569	569 *				
2013 Headcount Budget	589	589	598	599	600	603	603	603	603	603	603	603	603				
Over / (Under) Budget	(24)	(24)	(32)	(29)	(31)	(31)	(25)	(24)	(25)	(34)	(36)	(34)	(34)				
* Seven positions have been eliminated from the forecast (see detail on Headcount Analysis). Total for 2013 is 596, with 27 positions expected to be open at 12/31/2013.																	
NRR Over / (Under) Recovery	\$1,205	(\$426)	(\$1,928)	(\$37)	\$770	(\$3,342)	\$572	\$456	(\$2,908)	\$419	\$348	(\$2,231)	(\$7,100)	(\$7,967)	\$868	\$4,549	(\$11,649)



Southwest Power Pool
Actual Results Overview
October 31, 2013
(in thousands)

	Current Month Compared to Forecast			YTD Actual Compared to YTD Budget			YTD 2013 Compared to YTD 2012		
	Oct-2013	Oct-2013	Variance	Oct-2013	Oct-2013	Variance	Oct-2013	Oct-2012	Variance
	Actual	Forecast	Fav/(Unfav)	Actual	Budget	Fav/(Unfav)	Current Year	Prior Year	Fav/(Unfav)
Income									
Tariff Administrative Service	\$9,624	\$9,502	\$123	\$93,968	\$94,833	(\$864)	\$93,968	\$76,691	\$17,277
Fees & Assessments	2,158	2,028	130	21,248	24,008	(2,760)	21,248	22,155	(907)
Contract Services Revenue	46	36	10	362	606	(243)	362	21,095	(20,733)
Miscellaneous Income	286	259	27	3,201	3,558	(357)	3,201	4,269	(1,069)
Total Income	<u>12,114</u>	<u>11,824</u>	<u>290</u>	<u>118,779</u>	<u>123,003</u>	<u>(4,224)</u>	<u>118,779</u>	<u>124,211</u>	<u>(5,432)</u>
Expense									
Salary	4,435	4,402	(33)	43,999	43,628	(370)	43,999	40,415	(3,583)
Benefits & Taxes	1,892	1,762	(129)	19,892	20,044	152	19,892	18,291	(1,601)
Continuing Education	25	60	35	498	793	295	498	390	(108)
Salary & Benefits	6,352	6,225	(128)	64,389	64,465	76	64,389	59,096	(5,293)
Employee Travel	155	240	85	1,615	2,277	661	1,615	1,921	305
Administrative	294	273	(22)	3,560	4,449	889	3,560	3,323	(236)
Assessments & Fees	1,213	1,213	-	12,273	13,617	1,344	12,273	12,357	84
Meetings	92	72	(20)	819	1,376	557	819	793	(25)
Communications	301	315	14	2,993	3,661	668	2,993	3,431	438
Leases	16	16	(0)	398	362	(36)	398	1,538	1,140
Maintenance	970	921	(49)	9,241	8,648	(593)	9,241	6,673	(2,568)
Services	1,430	1,435	5	12,287	13,346	1,059	12,287	11,300	(988)
Regional State Committee	13	9	(4)	160	268	108	160	408	248
Depreciation & Amortization	1,688	1,700	12	16,097	16,852	754	16,097	13,131	(2,966)
Total Expense	<u>12,525</u>	<u>12,418</u>	<u>(107)</u>	<u>123,831</u>	<u>129,320</u>	<u>5,488</u>	<u>123,831</u>	<u>113,971</u>	<u>(9,860)</u>
Other Income/(Expense)									
Gain or Loss on Sale of Fixed Asset	(1)	-	(1)	57	-	57	57	-	57
Other Income/Expense	47	-	47	146	-	146	146	64	82
Interest Income	42	-	42	206	-	206	206	127	79
Interest Expense	(856)	(851)	(5)	(8,811)	(8,790)	(22)	(8,811)	(7,384)	(1,427)
Capitalized Interest	-	-	-	2,193	1,979	214	2,193	2,314	(121)
Change in Valuation of Swap	-	-	-	734	-	734	734	448	286
Net Other Income (Expense)	<u>(769)</u>	<u>(851)</u>	<u>83</u>	<u>(5,476)</u>	<u>(6,810)</u>	<u>1,335</u>	<u>(5,476)</u>	<u>(4,432)</u>	<u>(1,043)</u>
Net Income (Loss)	<u>(\$1,179)</u>	<u>(\$1,445)</u>	<u>\$266</u>	<u>(\$10,528)</u>	<u>(\$13,127)</u>	<u>\$2,599</u>	<u>(\$10,528)</u>	<u>\$5,807</u>	<u>(\$16,335)</u>
Headcount	569	575	(6)	569	603	(34)	569	562	7



Southwest Power Pool
 Balance Sheet
 October 31, 2013
(in thousands)

	<u>10/31/2013</u>	<u>12/31/2012</u>	<u>Net Change</u>
ASSETS			
Current Assets			
Cash & Equivalents	\$46,013	\$95,693	(\$49,680)
Restricted Cash Deposits	47,529	43,743	3,786
Accounts Receivable (net)	15,435	17,923	(2,488)
Other Current Assets	7,721	5,412	2,310
Total Current Assets	\$116,698	\$162,771	(46,073)
Total Fixed Assets	198,654	173,752	24,902
Total Other Assets	1,577	2,029	(452)
Investments	1,210	968	242
TOTAL ASSETS	\$318,140	\$339,520	(\$21,380)
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable (net)	\$11,909	\$9,831	\$2,078
Customer Deposits	47,941	43,914	4,027
Current Maturities of LT Debt	18,736	12,700	6,036
Other Current Liabilities	22,452	28,742	(6,289)
Deferred Revenue	5,414	6,286	(873)
Total Current Liabilities	106,452	101,472	4,980
Long Term Liabilities			
US Bank Floating Senior Note - 2014	1,375	5,500	(4,125)
US Bank 5.45% Senior Notes - 2016	10,500	15,000	(4,500)
US Bank Maumelle Mortgage - 2027	3,598	3,752	(154)
Campus 4.82% Senior Notes - 2042	63,229	64,006	(777)
Integrated Marketplace 3.55% Senior Note - 2024	66,500	70,000	(3,500)
Senior Notes - 2024	97,500	100,000	(2,500)
Other Long Term Liabilities	10,244	10,519	(275)
Total Long Term Liabilities	252,946	268,777	(15,831)
Net Income	(10,528)	(1,306)	(9,222)
Members' Equity	(30,728)	(29,422)	(1,306)
Total Members' Equity	(41,256)	(30,728)	(10,528)
TOTAL LIABILITIES & EQUITY	\$318,140	\$339,520	(\$21,380)



**SOUTHWEST POWER POOL
2013 - 2015 FORECAST
CAPITAL COST PROJECTIONS**

Project	2013 Budget	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013 Forecast	2014 Forecast	2015 Forecast	Prior Year(s)	TOTAL PROJECT FORECAST	TOTAL PROJECT BUDGET	Over/(Under) Budget
Existing / Carryover Projects												
IT Netezza Upgrade	\$ 2,263	\$ 1,592	\$ -	\$ -	\$ 666	\$ 2,258	\$ 177	\$ 120	\$ 519	\$ 3,074	\$ 3,038	\$ 36
Centralized Modeling (CMT & MCST)	355	308	63	52	48	472	-	-	2,011	2,483	2,455	28
EMS Marketplace Readiness	361	80	93	100	159	433	48	-	353	834	714	119
New ICCP Architecture-closed	311	66	65	45	-	175	-	-	355	530	665	(135)
Ops Automation DC Ties-closed	200	29	-	-	-	29	-	-	29	58	332	(274)
Ops Automation OATI -closed	100	-	-	15	-	15	-	-	15	30	180	(150)
High Availability *	-	153	(30)	-	-	123	-	-	-	123	-	123
Credit Stacking Tool *	-	42	100	-	-	142	-	-	-	142	-	142
Software (including HR upgrade, other) *	-	(27)	27	31	8	38	-	-	-	38	-	38
Facility *	-	173	25	43	-	240	-	-	-	240	-	240
Total Existing / Carryover	\$ 3,590	\$ 2,415	\$ 343	\$ 286	\$ 881	\$ 3,925	\$ 225	\$ 120	\$ 3,282	\$ 7,552	\$ 7,385	\$ 167

The Netezza Upgrade project is expected to come within 1% of the original budget.

The Centralized Modeling Tool / Model Change Submission Tool project began in mid-2011. The project scope has evolved as the Integrated Marketplace development has been underway. The current estimate includes post go-live support and puts the project at \$28K over the original estimates.

EMS Marketplace Readiness exceeds budget due to resources shifted from the ICCP Architecture project (which closed early) in preparation for the Integrated Marketplace go-live date.

New ICCP Architecture hardware/software purchase planned for 2013 was purchased in 2012 at a lower cost, causing the favorable variance to the budget.

The Ops Automation project costs are less than budget for various reasons. For the OATI project, a number of items were removed from the scope after the project was budgeted, and several other items were already part of OATI functionality, requiring only configuration and testing efforts. The scope changes were related to items in which the savings in manual effort did not justify the cost of automation. For the DC Ties project, much of the requirements development and testing, originally assumed to be performed by outside consultants, was performed by SPP staff.



SOUTHWEST POWER POOL
2013 - 2015 FORECAST
CAPITAL COST PROJECTIONS

<u>Project</u>	<u>2013 Budget</u>	<u>Q1 2013</u>	<u>Q2 2013</u>	<u>Q3 2013</u>	<u>Q4 2013</u>	<u>2013 Forecast</u>	<u>2014 Forecast</u>	<u>2015 Forecast</u>	<u>Prior Year(s)</u>	<u>TOTAL PROJECT FORECAST</u>	<u>TOTAL PROJECT BUDGET</u>	<u>Over/(Under) Budget</u>
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* The 2012 Extension items were budgeted for and initially expected to have been completed in 2012.

The PRPC closed out the High Availability project at the end of 2012, as it was originally assumed to be complete. Some of the additional expense recorded in 2013 was reclassified to IT foundation in Q2.

Miscellaneous Facility expenses from the 2012 budget were incurred in 2013, including final payments due for interior walls, copy room cabinetry and audio/visual equipment. The final retainage was paid to the contractor in March (\$100K).

2012 Extension projects - prior estimates not carried into 2013 budget:

	<u>Original Budget</u>	<u>2012 Ending Bal</u>	<u>2013 Activity</u>	<u>Final Proj Estimate</u>
High Availability	\$5,120	\$1,598	\$ 123	\$1,721
Credit Stacking Tool	\$ 295	\$ 126	\$ 142	\$ 268
Facility	\$88,553	\$83,872	\$ 240	\$84,112



**SOUTHWEST POWER POOL
2013 - 2015 FORECAST
CAPITAL COST PROJECTIONS**

<u>Project</u>	<u>2013 Budget</u>	<u>Q1 2013</u>	<u>Q2 2013</u>	<u>Q3 2013</u>	<u>Q4 2013</u>	<u>2013 Forecast</u>	<u>2014 Forecast</u>	<u>2015 Forecast</u>	<u>Prior Year(s)</u>	<u>TOTAL PROJECT FORECAST</u>	<u>TOTAL PROJECT BUDGET</u>	<u>Over/(Under) Budget</u>
2013 New Projects												
IT Data Center Migration Phase II	\$ 620	\$ -	\$ -	\$ 380	\$ 240	\$ 620	\$ 570	\$ -	\$ -	\$ 1,190	\$ 1,190	\$ -
Aurea (IT Progress) ESB Replacement	50	-	-	-	50	50	100	531	-	681	950	(269)
IT Portal	498	-	76	50	91	217	-	-	-	217	498	(281)
ETSE 3.0 Transmission Settlements (2015)	-	-	-	-	-	-	-	3,775	-	3,775	3,500	275
OPS DTS Upgrade to TTSE (2015)	-	-	-	-	-	-	-	4,400	-	4,400	2,908	1,492
IT EMS upgrade (2014-2015)	-	-	-	-	-	-	1,297	399	-	1,696	2,000	(304)
Integration of IssueTrak with Remedy (2014)	-	-	-	-	-	-	-	-	-	-	150	(150)
Total New Projects	\$ 1,168	\$ -	\$ 76	\$ 430	\$ 381	\$ 887	\$ 1,967	\$ 9,105	\$ -	\$ 11,958	\$ 11,196	\$ 762

Projects for the IT Data Center Migration and IT Progress EBS Replacement (recently changed to Aurea EBS Replacement), which carry over into 2014, were recently approved by SPP Executives to be included in the 2014 budget. The projects are scheduled to begin in 2013, and forecasts have been updated based on recently submitted 2014 budget data.

The IT Portal project forecast was reduced by \$281K. Although all consulting was budgeted as capital expense, part of the work expected does not qualify as capitalized expense, (i.e. documenting guidelines, training employees and defining processes).

All other new projects are still on target to begin in 2014 or 2015, and forecasts have been updated based on recently submitted 2014 budget data.

NOTE: Budget amounts represent estimates established in the original 2013 - 2015 budget. Many of the future year(s) calculations during the 2013 budget cycle are considered rough-order-of-magnitude (ROM) estimates, as the estimates were determined before the project scopes were defined. Forecast numbers represent updated estimates included in the 2014 - 2016 budget.



**SOUTHWEST POWER POOL
2013 - 2015 FORECAST
CAPITAL COST PROJECTIONS**

Project	2013 Budget	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013 Forecast	2014 Forecast	2015 Forecast	Prior Year(s)	TOTAL PROJECT FORECAST	TOTAL PROJECT BUDGET	Over/(Under) Budget
Integrated Marketplace / CBA												
Integrated Marketplace	\$ 21,006	\$ 9,565	\$ 8,443	\$ 7,848	\$ 9,813	\$ 35,668	\$ 6,513	\$ -	\$ 71,048	\$ 113,228	\$ 112,535	\$ 693
Consolidated Balancing Authority	756	304	5	135	35	479	-	-	1,900	2,379	2,477	(98)
Total Integrated Marketplace / CBA	\$ 21,762	\$ 9,869	\$ 8,448	\$ 7,983	\$ 9,848	\$ 36,147	\$ 6,513	\$ -	\$ 72,948	\$ 115,607	\$ 115,012	\$ 595
<i>Mitigating Offer Data Submission System *</i>	-	-	-	380	240	620	570	-	-	1,190	1,190	-
<i>IM Capitalized Interest (not included in balance)</i>	\$ 2,724	\$ 800	\$ 719	\$ 675	\$ 577	\$ 2,770	\$ 641	\$ -	\$ 3,088	\$ 6,499	\$ 6,453	\$ 46

The IM project is currently forecast at \$595K more than the board approved target of \$115 million. This is a favorable movement of approximately \$127K from the September 30th report. Significant changes from the prior month include the following: changes from the prior month include the following:

- Extension of Kidiago Group resource through December (\$206K additional expense) - unbudgeted
- Reduction in Nexant forecast to remove unused support and related travel (\$86K savings)
- Reduction in Alstom post FAT support forecast for Settlements (\$173K savings)
- Favorable actual vs. forecast variance in monthly billings for various vendors (\$80K savings)

* The Mitigating Offer Data Submission System project is a web page for market participants to submit required cost data to Market Monitoring Unit (MMU) and is a FERC ordered regulatory requirement to be completed by the March 2014 go-live date. The project costs were included in the request for additional funding for the Integrated Marketplace, and are reflected in the IM project total of \$115M.



**SOUTHWEST POWER POOL
2013 - 2015 FORECAST
CAPITAL COST PROJECTIONS**

Project	2013 Budget	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013 Forecast	2014 Forecast	2015 Forecast	Prior Year(s)	TOTAL PROJECT FORECAST	TOTAL PROJECT BUDGET	Over/(Under) Budget
Market Post Go-Live Projects												
Combined Cycle Enhancements	\$ 183	\$ -	\$ -	\$ 32	\$ 150	\$ 183	\$ 5,069	\$ 70	\$ -	\$ 5,322	\$ 3,800	\$ 1,521
Regulation Compensation (FERC Order 755)	264	-	-	24	240	264	2,229	301	-	2,794	3,785	(991)
Long-Term TCRs (LTTCRs)	429	-	-	-	61	61	3,912	112	-	4,084	1,510	2,574
Market to Market	472	-	-	21	282	303	5,400	511	-	6,215	1,416	4,799
AFC Granularity Changes for TSRs (2014)	-	-	-	-	-	-	-	1,363	-	1,363	1,363	-
Sunset Clause for Load Submittal Legacy BAs (2014)	-	-	-	-	-	-	-	156	-	156	156	-
Assets Pseudo-Tying Out of SPP BA (2014)	-	-	-	-	64	64	-	-	-	64	130	(66)
Marketplace Data for MPs Post Go-Live (2014)	-	-	-	-	-	-	-	50	-	50	50	0
Total Market Post Go-Live	\$ 1,348	\$ -	\$ -	\$ 78	\$ 797	\$ 875	\$ 16,610	\$ 2,563	\$ -	\$ 20,048	\$ 12,210	\$ 7,837

Market Post Go-Live projects were recommended by the Project Review & Prioritization Committee (PRPC) and approved by Executives for inclusion in the 2014 budget. Forecasts for 2013 - 2015 have been updated to reflect new estimates.

NOTE: Budget amounts represent estimates established in the original 2013 - 2015 budget. Many of the future year(s) calculations during the 2013 budget cycle were considered rough-order-of-magnitude (ROM) estimates, as the estimates were determined before the project scopes were defined. Forecast numbers represent updated estimates included in the 2014 - 2016 budget.



**SOUTHWEST POWER POOL
2013 - 2015 FORECAST
CAPITAL COST PROJECTIONS**

Project	2013 Budget	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013 Forecast	2014 Forecast	2015 Forecast	Prior Year(s)	TOTAL PROJECT FORECAST	TOTAL PROJECT BUDGET	Over/(Under) Budget
Operations Foundation												
Marketplace & MOS Enhancements (2014-2015)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 750	\$ 750	\$ -	\$ 1,500	\$ 1,500	\$ -
Legacy Applications	300	122	44	138	10	313	681	530	-	1,524	1,000	524
Total Operations Foundation	\$ 300	\$ 122	\$ 44	\$ 138	\$ 10	\$ 313	\$ 1,431	\$ 1,280	\$ -	\$ 3,024	\$ 2,500	\$ 524

Due to the Integrated Marketplace (IM) program resources and systems, SPP Operations is focused on IM activities. Any expenditures for the remainder of 2013 Legacy Applications are only reserved for critical unforeseen issues. The \$750K budget in 2014 & 2015 is now included in the Post Go-Live Alstom Patches project in the 2014-2016 budget. The 2013 forecast is approximate to the budget. The 2014 and 2015 forecasts have been updated to reflect projections from the 2014 budget cycle.

Miscellaneous Capital Spend

ETS Foundation-Alstom	\$ 75	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75	\$ 75	\$ -	\$ 150	\$ 225	\$ (75)
FERC Order 1000 Regional RFP	165	-	-	-	-	-	165	30	-	195	225	(30)
Stochastic Planning	70	-	-	-	-	-	-	-	-	-	200	(200)
Redundant EnFuzion Node and PSSE Lock Ph 2	23	-	23	-	-	23	-	-	-	23	23	-
ITP Data Repository	5	-	-	-	-	-	-	-	-	-	10	(10)
Update PROMOD to Server Solution	10	-	-	-	-	-	-	-	-	-	20	(20)
Total Miscellaneous Capital Spend	\$ 348	\$ -	\$ 23	\$ -	\$ -	\$ 23	\$ 240	\$ 105	\$ -	\$ 368	\$ 703	\$ (335)

There are no PRRs necessitating changes to the EIS market at this time; therefore, the ETS Foundation project forecast for 2013 has been removed. Forecasts for 2014 - 2015 have been updated based on recently submitted 2014 budget data.

FERC made a ruling on Order 1000 Regional RFP in mid-July. SPP is proposing additional clarifications, and adjustments will be made to upcoming forecasts after thorough consideration of the impacts associated with the FERC ruling.

Expenses for the Stochastic Planning, ITP Data Repository and PROMOD update projects have been removed from the forecast given the projects are on hold.



**SOUTHWEST POWER POOL
2013 - 2015 FORECAST
CAPITAL COST PROJECTIONS**

Project	2013 Budget	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013 Forecast	2014 Forecast	2015 Forecast	Prior Year(s)	TOTAL PROJECT FORECAST	TOTAL PROJECT BUDGET	Over/(Under) Budget
IT Foundation	\$ 7,045	\$ 2,053	\$ 824	\$ 1,367	\$ 3,449	\$ 7,692	9,586	5,746	-	23,024	16,846	\$ 6,178

Totals presented here are for reconciliation purposes only. Foundation budgets are not carried forward; therefore, Project Budget represents current year budget only. IT Foundation section below shows current projections for 2014 & 2015 as determined during the 2014 budget process, and discusses the variances in the 2013 budget vs. forecast.

TOTAL CAPITAL COST PROJECTIONS	\$ 35,560	\$ 14,459	\$ 9,757	\$ 10,281	\$ 15,366	\$ 49,862	\$ 36,571	\$ 18,919	\$ 76,230	\$ 181,581	\$ 165,852	\$ 15,729
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IT Foundation	2013 Budget	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013 Forecast	2013 Bud vs. Fcst	2014 New *	2015 New *
Systems Administration Foundation	\$ 3,503	\$ 1,631	\$ 247	\$ -	\$ 2,214	\$ 4,093	\$ 589	\$ 3,082	\$ 2,811
Network/Telecom Foundation	1,742	(11)	255	371	840	1,455	(287)	5,016	1,300
Applications Foundation	809	77	27	723	71	898	89	726	1,480
Service Management Foundation	600	356	208	231	228	1,024	424	707	97
Service Delivery Foundation	291	-	86	39	94	219	(72)	-	-
Environmental Ops Foundation	100	-	-	2	1	3	(97)	55	58
Total IT Foundation	\$ 7,045	\$ 2,053	\$ 824	\$ 1,367	\$ 3,449	\$ 7,692	\$ 647	\$ 9,586	\$ 5,746

* New 2014 & 2015 Informational only

The Systems Administration Foundation project is forecasted to be over budget primarily due to additional EMC storage (\$580K). The EMC Storage purchase will provide additional storage infrastructure and capacity to meet our growing needs and performance requirements as we begin Parallel Operations and the Integrated Marketplace.

The purchase of SPP Member Routers was delayed until 2014 and contribute to the favorable variance in the Network / Telecom foundation project for 2013 (\$132K). Various projects are also anticipated at lower than originally budgeted, including the Maumelle firewall upgrade (\$79K) and the Intrusion Detection System (\$70K). These are slightly offset by Juniper equipment which was budgeted in 2012; however, the purchase was delayed until 2013 due to more efficient versions scheduled for release in 2013.

The IT Applications foundation project is forecasted to be over budget due to the following items: Informatica Data Replicator / Data Validation and Proactive Monitoring software (\$247K), Documentum licenses which were budgeted in 2012 but reflected in 2013 financials (\$78K), and Documentum server, development license and implementation (\$25K). These items are offset by various other budgeted items which were less than expected.

The Service Mgmt Foundation project is expected to be over budget primarily due to the following additions which were not included in the original 2013 budget (1) Remedy Upgrade Project (\$345K) and (2) Service Delivery expenses for Event Management upgrade (\$103K) and Tripwire licenses (\$25K). All expenses were included in the 2012 budget, but not incurred until 2013. Also reflected in this project are additional BMC license (\$41K) and Adobe true-up (\$24K). The Maumelle Map Board upgrade was budgeted in 2013 but reflected in 2012 financials and offsets the unfavorable variances in 2013 (\$100K).



Southwest Power Pool
Headcount Analysis
October 31, 2013

	Current Month Actual vs. Budget			Full Year Forecast vs. Budget		
	Actual	Budget	Over/(Under)	FY 2013	FY 2013	Over/(Under)
	Oct-13	Oct-13	Budget	Forecast	Budget	Budget
Administration	0	0	0	0	0	0
Officers	10	11	(1)	10	11	(1)
Accounting	9	11	(2)	9	11	(2)
Credit	4	4	0	4	4	0
Settlements	25	26	(1)	25	26	(1)
Administration	48	52	(4)	48	52	(4)
Corporate Services	29	29	0	29	29	0
Inter-Regional Affairs	3	4	(1)	4	4	0
Project Management	10	13	(3)	11	13	(2)
Training	12	13	(1)	12	13	(1)
Customer Service	10	9	1	10	9	1
Process Management	3	2	1	3	2	1
Internal Audit	6	6	0	6	6	0
Process Integrity	44	47	(3)	46	47	(1)
SPP Compliance	11	13	(2)	11	13	(2)
Government Affairs & Public Relations	3	4	(1)	3	4	(1)
Market Monitoring	13	14	(1)	13	14	(1)
Compliance & Market Monitoring	27	31	(4)	27	31	(4)
SPP Regional Entity	26	32	(6)	26	32	(6)
Information Technology	142	143	(1)	140	143	(3)
Markets	6	6	0	6	6	0
Operations	151	158	(7)	151	158	(7)
Engineering Planning	38	44	(6)	38	44	(6)
Engineering Other	35	37	(2)	34	37	(3)
Regulatory Policy & General Counsel	23	24	(1)	24	24	0
TOTAL HEADCOUNT	569	603	(34)	569	603	(34)

Forecast vs. Budget

Original 2013 End-of-Year Budget	603
Stochastic Planning positions (on hold) removed from 2013 forecast	(2)
Government Affairs backfill positions removed from 2013 forecast	(2)
Settlement Analyst backfill position removed from 2013 forecast	(1)
Eliminated backfill for Dec 2012 resignation (RE part-time clerk)	(1)
Eliminated duplicate Engineering position	(1)
Revised 2013 End-of-Year Total Positions	<u>596</u>
Estimated OPEN positions as of 12/31/2013	27
Estimated ACTIVE positions as of 12/31/2013	<u>569</u>

Req. #	Position	Dept #	Dept Name	Status
12-025	Sr. Compliance Specialist	130	RE - Compliance	
12-116	Executive Director	130	Regional Entity	
13-012	Attorney	330	Legal	
13-027	Engineer II, Reliability Standards	200	Interregional Affairs	
13-054	Business Analyst II	510	IT Apps & Requirements Testing	
13-057	Project Manager	560	Project Management	
13-058	Sr. Accountant	120	Accounting	
13-059	Compliance Analyst II	230	Compliance	
13-060	Manager, IT Sourcing	500	Information Technology	
13-064	Project Analyst	560	Project Management	
13-071	Sr. Programmer Analyst	580	IT Operations	
13-073	Compliance Enforcement Attorney	180	RE - Enforcement	
13-075	Lead Engineer	130	RE - Compliance	
13-061	OIT (chg'd from Operator II)	820	Systems Operations	
13-062	Engineer II	850	Ops Support	
13-063	Engineer I	450	Congestion Hedging	
13-065	Sr. Engineer	410	Steady State Planning	
13-066	Ops Analyst	820	Systems Operations	
13-068	Engineer I (EIR)	400	Eng R&D	
13-069	Engineer I (EIR)	400	Eng R&D	
13-070	PT Law Clerk	180	RE - Enforcement	
13-072	Sr. Engineer	8200	Interregional Coordination	
13-074	Sr. Regulatory Analyst	900	Regulatory	
13-076	Sr. Engineer	870	Ops Support	
13-077	Sr. Engineer	720	Market Monitoring	
13-080	Engineer I (EIR)	400	Eng R&D	
13-082	Sr. Event Analyst	230	SPP Compliance	

Remaining 2012 Positions in Blue: 12-xxx
 2013 Budgeted Positions Highlighted in Grey: 13-001 thru 13-023
 Replacement Positions Highlighted in Yellow: 13-024 thru 13-xxx

2013 YTD Budgeted Positions Filled	17
2013 YTD Replacement Positions Filled	25
2013 YTD Total Hires	42
2012 Positions Filled in 2013	20
Total Positions Filled	62

Status Legend	2013	2012	Total
Inactive	0	2	2
Active, Not Posted	14	0	14
Active, Posted	11	0	11
Filled	42	21	63
Hire Legend			
Internal	16	8	24
External	26	13	39
Total	42	21	63

10/31 Ending Active Headcount	569
2012 Open	2
2013 Open	25
2013 Total Positions (Open & Active)	596



Tracking SPP Business Process Improvements

Embedded in 2013-2015 Budget

4Q2013

December 9, 2013

Business Process Improvement



Tracking of the Actual/Forecasted Benefits Realized of Cost Reductions/Cost Avoidance Identified in the 2013 – 2015 Budget for 2013

Cost Reduction or Cost Avoidance Category	Budget 2013	Actual/Fcst 2013	Variance	Explanation
Operations Staffing Cost Reductions				
Settlements Process Improvements	\$ 71,994	\$ 95,992	\$ 23,998	The headcount was freed up 3 months early to begin work on Marketplace testing.
Operations Automation	\$ 337,442	\$ 157,987	(\$ 179,455)	OATI was late by 3 months in delivering automation software. To avoid implementation during peak loading, implementation slipped 6 months.
Total	\$ 409,439	\$ 253,979	(\$155,457)	
Capital Non-staffing Cost Avoidance				
Unlimited Oracle Licensing agreement for 3 years	\$ 1,386,000	\$ 6,164,801	\$ 4,778,801	Have deployed 304 DB “cores” vs. forecasted 135 in support of Integrated Marketplace. The Market DB servers were much more complex than the initial forecasted. The decision to sign an unlimited agreement has avoided significant cost for SPP.
Microsoft desktop/laptop software rationalization	\$ 38,411	\$ 38,411	\$ 0	On target.
Desktop Virtualization	\$ 24,232	\$ 55,962	\$ 31,730	The initial desktop virtualization has worked well and has been expanded to support greater business continuity flexibility. Virtual desktops avoid \$437 per machine.
Total	\$ 1,448,643	\$ 6,259,174	\$ 4,810,531	
Grand Total of Productivity, Cost Reduction, and Cost Avoidance Initiatives	\$ 1,858,079	\$ 6,513,153	\$ 4,655,074	

Continuous Improvement Metrics

December 2013



Lean Metrics

Quarter-by-Quarter View of Lean Efforts to Date															
Area	Description	2012				2013				2014				Totals	
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
1	Lean Continuous Improvement Initiatives														
Project View	a. Active/carry-over			1	5	5	4	4	4						Totals
	b. Newly initiated (Note: A)		1	4	1	1	1	2	1						
	c. Newly closed				1	2	1	2	1						
	d. Total active		1	5	5	4	4	4	4						
	e. Program to Date Total Lean Initiatives		1	5	6	7	8	10	11						
Participant View	a. New workshop participants (Note: B)		12	48	8	7	14	17	10					116	
	b. Cumulative workshop participants		12	60	68	75	89	106	116						
	c. New implementation team participants (Note: C)		2	39	15	14	15	13	2					100	
	d. Cumulative implementation team participants		2	41	56	70	85	98	100						
	e. Total lean initiative participation - cumulative		14	101	124	145	174	204	216					216	
								E							
2	Lean Organizational Engagement View														
Efforts Initiated by Division	a. Engineering			2	1			1						4	
	b. Information Technology			2			1							3	
	c. Operations							1						1	
	d. Finance/Corporate Services							1	1					2	
	e. Process Integrity		1											1	
	f. Regulatory/Compliance													0	
	g. Market Design													0	
	h. Total		1	4	1	1	1	2	1					11	
Participants by Division (Note: D)	a. Engineering			32	11	1	7	11						62	
	b. Information Technology		1	24	4	20	2	3	2					56	
	c. Operations		2	5			14	7	1					29	
	d. Finance/Corporate Services			6			1	4	5					16	
	e. Process Integrity		8	11	1		2	1	2					25	
	f. Regulatory/Compliance		3	9	6		3	4	2					27	
	g. Market Design														
	h. Other				1									1	
	i. Total		14	87	23	21	29	30	12					216	

Lean Metrics

Quarter-by-Quarter View of Lean Efforts to Date													
		2012				2013				2014			
Area	Description	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
3	Lean Capacity and Capability Development												
	In-line Facilitators					1							
	a. Identified					1							
	b. Being mentored					1	1	1	1				
	Employee Education												
	a. Lean 101 classes completed (in development)												
	b. Lean 201 classes completed (in development)												
	c. External training sessions attended												
	d. TBD												

Notes:

- A – Each Lean Initiative represents a full-scope multi-organization process going through a formal “Lean Workshop”. Each initiative will produce from 3 to 5 implementation projects typically taking from 30, 60, 90 to 180 days to implement.
- B – This line tracks the number of SPP staff who have received initial Lean orientation and have participated in a typical 2-day Lean Workshop where the “Desired Future State” and implementation projects are identified.
- C – This line tracks the number of SPP staff who were not in the Lean Workshop but who have been assigned meaningful work to implement one or more of the process improvement implementation projects.
- D – These numbers reflect the number of staff involved in the implementation workshops and implementation projects for projects initiated in that quarter. Note that several implementation efforts will span multiple months so the total number of staff involved each quarter may be higher than the total shown for the quarter.
- E – 4Q2013 numbers reflect known scheduled Lean start ups and does not reflect a forecast for the entire quarter.